

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input checked="" type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Isabella County	County Isabella
Fiscal Year End September 30, 2007	Opinion Date March 20, 2008	Date Audit Report Submitted to State March 28, 2008	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

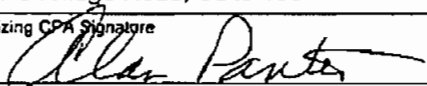
YES NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☒ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input checked="" type="checkbox"/>	Single Audit	
Certified Public Accountant (Firm Name) Abraham & Gaffney, P.C.		Telephone Number 517-351-6836	
Street Address 3511 Coolidge Road, Suite 100		City East Lansing	State MI
		Zip 48823	
Authorizing CPA Signature 		Printed Name Alan D. Panter, CPA	
		License Number 1101020708	

# Comprehensive Annual Financial Report



Isabella County, Michigan

For The Year Ended  
September 30, 2007

Issued by:  
County Administrator's Department

Susan R. Szabo, CPA  
Director of Accounting Services

Timothy J. Dolehanty, AICP  
County Controller / Administrator

Isabella County, Michigan  
Comprehensive Annual Financial Report  
Year Ended September 30, 2007

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## **INTRODUCTORY SECTION**



## Office of the County Administrator

200 North Main Street, Mount Pleasant, MI 48858

Telephone 989-772-0911, Ext. 202

Fax 989-773-7431

March 20, 2008

Honorable David Ling, Chairperson  
Members of the Isabella County Board of Commissioners  
County of Isabella  
200 North Main Street  
Mount Pleasant, Michigan 48858

Members of the Board:

The Comprehensive Annual Financial Report of the County of Isabella, Mount Pleasant, Michigan, for the year ended September 30, 2007, is submitted herewith. The financial statements included in this report have been audited by Abraham & Gaffney, P.C. The Comprehensive Annual Financial Report is prepared for the purpose of disclosing the County's financial condition to its residents, elected officials, and other interested parties.

The financial statements have been prepared in compliance with applicable statutes of the State of Michigan and generally accepted accounting principles as stated in the Governmental Accounting Standards Board's (GASB) statements and interpretations.

Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the County. We believe the data as presented is accurate in all material respects; that it is presented in such a manner so as to fairly set forth financial position and results of operations of the County as measured by the financial activity of its funds; and that all disclosures necessary to enable the statement reader to gain the maximum understanding of the County's affairs have been included.

It is believed that the Comprehensive Annual Financial Report substantially conforms to the high standards of financial reporting promulgated by the Governmental Accounting Standards Board and the American Institute of Certified Public Accountants. This report will be submitted to the Government Finance Officers Association's Certificate of Achievement for Excellence in Financial Reporting Program.

## **ORGANIZATION OF REPORT:**

The Comprehensive Annual Financial Report of Isabella County is divided into four sections: introductory, financial, statistical and single audit. The **Introductory Section** includes the Table of Contents, this Transmittal Letter, a list of principal officials and the Certificate of Achievement for Excellence in Financial Reporting. The **Financial Section** includes Management's Discussion and Analysis, the basic financial statements and the combining nonmajor fund statements, as well as the auditor's report of the financial statements. The **Statistical Data Section** includes, at a minimum, the required GFOA financial and demographic information, generally presented on a multi year basis.

The county is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996 and U.S. Office of Management and Budget Circular A-133, Audits of States and Local Governments, and Non-Profit Organizations. Information related to this single audit, including the schedule of expenditures of federal awards, findings and recommendations, and auditors' reports on internal control and compliance with applicable laws, regulations, contracts and grants, is included in a separately issued report.

GAAP require that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The County's MD&A can be found immediately following the report of the independent auditors.

## **THE REPORTING ENTITY AND ITS SERVICES:**

This report includes all funds of the County and its component units as defined in Government Accounting Standards Board Statement No. 14, "The Financial Reporting Entity." In accordance with the criteria of this statement the Isabella County Building Authority, Isabella County Family Independence Agency, Isabella County Medical Care Facility, Isabella County Commission on Aging, and Isabella County Parks Board, are blended into the County's Comprehensive Annual Financial Report. The Family Independence Agency and Medical Care Facility are under the oversight of the Isabella County Family Independence Agency Board. These organizations, with the exception of the Building Authority, are not legally separate. In addition the County maintains a significant degree of financial accountability over the operations of these units. The Isabella County Building Authority is a legally separate organization. However, its operations are blended into the County fund structure because its sole purpose is to finance and construct the County's public buildings.

In accordance with the above criteria the Central Michigan District Health Department, the Isabella County Road Commission, the Isabella County Transportation Commission, the Isabella County Board of Public Works, and the Isabella County Drainage Districts have been discretely presented as component units in the financial statements.



## **PROFILE OF THE GOVERNMENT:**

The management of Isabella County is overseen by a district-elected Board of Commissioners. This board consists of seven members. Commissioners are elected for two year terms and have the responsibility of making appropriations to all County functions and establishing policy for all county operations except the Trial Court. The Board of Commissioners appoints an Administrator/Controller who has the overall responsibility to oversee the administrative duties of the County with the exception of Elected Officials' offices. Management of the Trial Court is overseen by the Chief Trial Court Judge who is also responsible for administrative oversight of the Court.

The County provides many services to the County residents including Sheriff Department Road Patrol services in the unincorporated jurisdictions of the County, the constitutional offices of the County Clerk, Treasurer, Register of Deeds, Sheriff, and Prosecutor and the statutory office of the Drain Commissioner. In addition, the County supports many other programs such as services to older citizens and cultural and recreational services such as the MSU Extension, and parks and recreation, which includes the Pere Marquette Rail-Trail of Mid-Michigan.

## **FACTORS AFFECTING FINANCIAL CONDITION:**

### **Local Economy:**

Isabella County, located near the geographical center of Michigan's Lower Peninsula, has a strong economy and enjoys a rich human and technical resource base. The presence of Soaring Eagle Casino and Resort, the County's single largest employer, and Central Michigan University help to assure economic viability by providing a secure foundation for the area's economy.

The Isabella County Convention and Visitor's Bureau (CVB) is continuing its efforts to promote tourism in the County. Two of the State's major thoroughfares, US-127 and M-20, meet in Mt. Pleasant accounting for millions of vehicle passengers annually.

### **Recreation:**

The County provides many recreational opportunities highlighted by seven premier golf courses; Central Michigan University events and facilities; an array of public parks/lakes; and Mt. Pleasant Meadows, a para-mutual quarter-horse racetrack.

The Saginaw Chippewa Indian Tribe-Sponsored Casino continues to be a major attraction for out-of-County visitors. The Soaring Eagle Resort features a 1,500-car parking ramp, cabaret-style bingo hall which seats approximately 2,500 and a 103,000 square foot gaming hall containing 3,500 slot machines as well as Black Jack, Poker and Roulette tables. The 500 room hotel features luxury suites, a conference center and restaurants. Over the years many top entertainers have performed at this venue.

### **Commercial:**

The retail trade business continues to be a major contributor to the growth of the County. Positioned strategically near the north and south US-127 interchanges into Mt. Pleasant, Home Depot, Target, Wal-Mart, Sam's Club, Kohl's, Menards, and Meijer department stores contribute significantly to the volume of retail trade conducted within the confines of the County, employ County residents, and draw people into our community.

**Major Initiatives:**

Construction of a new sub-acute detoxification facility was completed in early 2006. The facility compliments services provided through Ten Sixteen Treatment Centers by providing six beds for sub-acute detoxification patients. This program benefits the community and patients by properly treating this medical condition in a properly equipped facility. A voter-approved millage supported construction of a new Commission on Aging facility in 2007. This facility is scheduled to become operational in July, 2008.

**Financial Management:**

Management of the County is responsible for establishing and maintaining internal control designed to ensure that the assets of the County are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: 1) the cost of a control should not exceed the benefits likely to be derived; and 2) the valuation of costs and benefits requires estimates and judgments by management.

**Budgeting Control:**

Isabella County maintains budgetary control with the objective to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the County Board of Commissioners. Activities of the General, Special Revenue, Debt Service, and the Capital Projects funds are included in the annual appropriation budget. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established by activity within these Funds.

Generally, the budget and approved appropriations lapse at the end of the fiscal year, unless specifically re-appropriated by Board action. Encumbrance accounting is not employed by the County, because it is at present considered not necessary to assure affective budgetary control or to facilitate effective cash planning and control.

**Single Audit:**

As a recipient of federal and state awards, the County is responsible for ensuring that adequate internal control is in place to achieve compliance with applicable laws and regulations related to those programs. This internal control is subject to periodic evaluation by management and the independent auditors of the County.

As part of the County's single audit, described earlier, tests are made to determine the adequacy of internal control, including that portion related to federal award programs, as well as to determine that the County has complied with applicable laws and regulations. The results of the County's Single Audit for the year ended September 30, 2007 disclosed no significant violations of applicable laws and regulations.

**Cash and Investments:**

During the year, idle cash was temporarily invested in obligations of the U.S. Government and in Certificates of Deposit ranging from 30 to 180 days to maturity, in daily interest savings accounts and in interest-bearing checking accounts. Most savings accounts exist where monies cannot be commingled and/or where the dollars are not large enough to warrant investment elsewhere.

**Risk Management:**

The County is self-funded for health insurance, including prescriptions, dental and vision services. The program is accounted for in the self-insurance fund (an internal service fund), and is set up as a "pool" of participating groups. There are two groups in the pool which include Isabella County government and the Medical Care Facility. An independent administrator, Blue Cross and Blue Shield of Michigan, is hired to process daily claims. Individual claims up to \$40,000 are paid from the fund, and Blue Cross is responsible for paying the claims above this amount. Administrative charges and stop loss fees are also paid from the fund.

Revenue for this fund's operations originates from the participating groups that pay a fee for each of their participating employees. The fee is the premium rate established by Blue Cross. These rates vary depending on the coverage each employee elects. The County sets caps on the amount of premiums it will pay for non-union employees and negotiates caps with its labor unions. Any premiums above the caps are paid by the employees through payroll deductions.

**Employee Pension Plan:**

Isabella County participates in the Michigan Municipal Employees Retirement System (MERS); an agent multiple employer state-wide, public employee defined benefit pension plan. Under this plan, the County is required to contribute at an actuarially determined rate. Effective in 2002, all new employees are in a defined contribution plan through ICMA. Under this plan, the County contributes 7% and the employee contributes 2% of their gross salary.

**OTHER INFORMATION:****Independent Audit:**

The Michigan Uniform Accounting and Budgeting Act requires an annual audit by independent certified public accountants. The accounting firm of Abraham & Gaffney, P.C. was selected by the Isabella County Board of Commissioners to perform the County's annual audit. In addition to meeting requirements set forth in state statutes, the audit also was designed to meet the requirements of the federal Single Audit Act Amendments of 1996 and related OMB Circular A-133. The auditor's report on the financial statements and combining and individual fund statements and schedules is included in the financial section of this report. The auditor's reports related specifically to the single audit are included in a separately issued report.

**Awards:**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Isabella County, Michigan for its Comprehensive Annual Financial Report for the fiscal year ended September 30, 2006.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, whose contents conform to program standards. Such report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to Certificate of Achievement Program requirements, and we are submitting it to the GFOA to determine its eligibility for another Certificate.

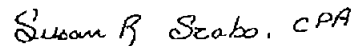
**Acknowledgements:**

We would like to thank members of the Isabella County Board of Commissioners for your interest and support in planning and conducting the financial operations of the County in a responsible and progressive manner.

Respectfully submitted,



Timothy J. Dolehanty, ICMA (CM), AICP  
Administrator/Controller



Susan R. Szabo, CPA  
Director of Accounting Services

Isabella County, Michigan  
Comprehensive Annual Financial Report  
Year Ended September 30, 2007

LIST OF COUNTY OFFICIALS

BOARD OF COMMISSIONERS

David Ling	Chairperson
Frances Lichtman	Vice-Chairperson
George Green	Board Member
John Haupt	Board Member
Christine Alwood	Board Member
Roger Trudell	Board Member
Ron Roby	Board Member

TRIAL COURT JUDGES

Paul Chamberlin, Chief  
William T. Ervin  
William R. Rush  
Mark Duthie

OTHER ELECTED OFFICIALS

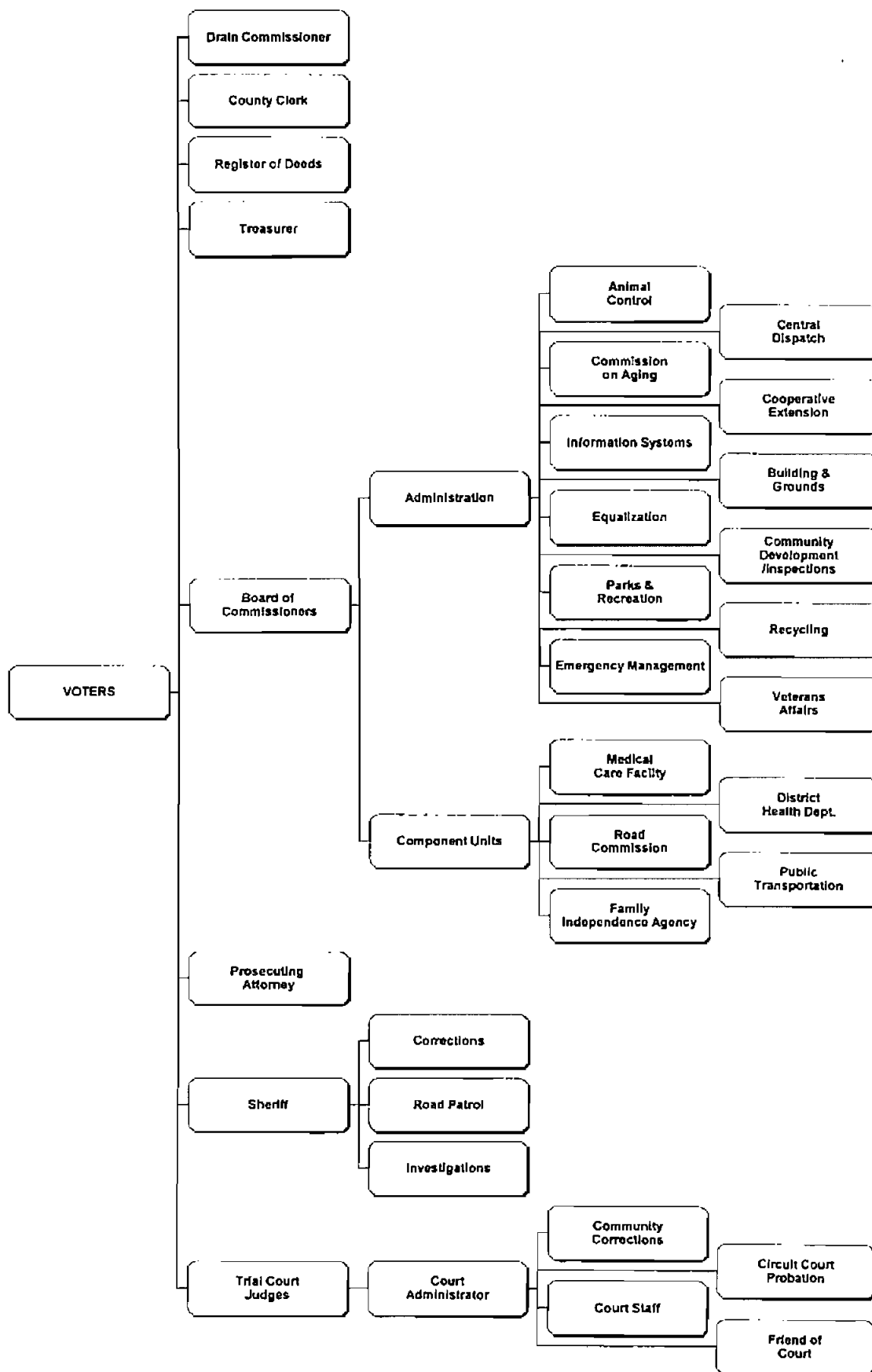
Joyce Swan	County Clerk
Gary McBride	Drain Commissioner
Sharon Brown	Register of Deeds
Steven Pickens	County Treasurer
Larry Burdick	Prosecuting Attorney
Leo Mioduszewski	County Sheriff

COUNTY CONTROLLER / ADMINISTRATOR

Timothy J. Dolehanty, AICP

DIRECTOR OF ACCOUNTING SERVICES

Susan R. Szabo, CPA



# Certificate of Achievement for Excellence in Financial Reporting

Presented to

Isabella County  
Michigan

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
September 30, 2006

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



*Charles S. Cox*

President

*Jeffrey R. Emer*

Executive Director

## FINANCIAL SECTION



Principals

Dale J. Abraham, CPA  
Michael T. Gaffney, CPA  
Steven R. Kirinovic, CPA  
Aaron M. Stevens, CPA  
Eric J. Glashouwer, CPA  
Alan D. Panter, CPA



**ABRAHAM & GAFFNEY, P.C.**

Certified Public Accountants

3511 Coolidge Road  
Suite 100  
East Lansing, MI 48823  
(517) 351-6836  
FAX: (517) 351-6837

INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners  
of Isabella County  
Mt. Pleasant, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Isabella County, Michigan, as of and for the year ended September 30, 2007, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Isabella County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Isabella County Road Commission, which represents 64% and 39%, respectively of the total assets and revenues of the component units and the Medical Care Facility which represents 66% and 76%, respectively of the total assets and revenues of the business-type activities. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for the Road Commission and Medical Care Facility, are based solely on the reports of the other auditors.

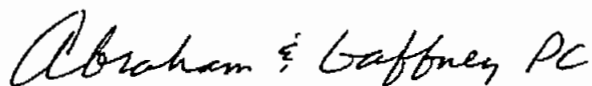
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Isabella County, Michigan, as of September 30, 2007, and the respective changes in financial position and, where applicable, cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 20, 2008, on our consideration of Isabella County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information, as identified in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Isabella County, Michigan's basic financial statements. The introductory section, combining and individual fund financial statements and schedules, and statistical tables listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of Isabella County, Michigan. The combining and individual fund financial statements and schedules have been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of other auditors, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied by us and the other auditors in the audit of basic financial statements, and accordingly, we express no opinion on them.

A handwritten signature in cursive script that reads "Abraham & Gaffney PC".

ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

March 20, 2008

## Management's Discussion and Analysis

As management of *Isabella County, Michigan*, we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of Isabella County for the fiscal year ended September 30, 2007. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in the introductory section of this report.

### Financial Highlights

- The assets of the County exceeded its liabilities at the close of the most recent fiscal year by \$41,548,218. Of this amount, \$21,308,766 may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$5,430,125. This was due to a combination of factors including: 1) the acceleration of the property tax collections from December to July, 2) an increase in the taxable value of property of 8.4%, 3) an increase in interest rates on savings and investments, and 4) the collection of a new senior millage voted in on the November 2006 ballot.
- As of the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$11,244,055 an increase of \$2,278,118 in comparison with the prior year. Approximately 80 percent of this amount, or \$8,970,323, is available for spending at the government's discretion (*unreserved fund balance*).
- General-purpose governments, regardless of size, should maintain an unreserved fund balance in their general fund of no less than five to 15 percent of regular general fund operating expenses, or of no less than one to two months of regular general fund operating expenditures (GFOA 2002). At the end of the current fiscal year, unreserved and undesignated fund balance for the general fund was \$3,017,099 or 15 percent of total general fund expenditures and transfers out.
- The County's total bonded debt decreased by \$630,000 during the current fiscal year. This decrease was due to the normal pay-off of principal on general obligation bonds.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the County's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the County's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected special assessments).

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the County include general government, public safety (including the jail), public works, health and welfare, community and economic development, and culture and recreation. The business-type activities of the County include the delinquent tax collections, recycling facility, building inspections, concessions, and a Medical Care Facility.

The government-wide financial statements include not only Isabella County itself (known as the primary government), but also a legally separate Road Commission, Transportation Commission, Board of Public Works, Drainage Districts, and the District Health Department, for which Isabella County is financially accountable. Financial information for these *component units* is reported separately from the financial information presented for the primary government itself. The Isabella County Building Authority, although legally separate, functions for all practical purposes as a department of the County, and therefore has been included as an integral part of the primary government.

The government-wide financial statements can be found on pages 1-2 of this report.

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The County maintains 23 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General, Tribal Contribution, Revenue Sharing Reserve, Child Care, and Building Authority Bond Funds, each of which are considered to be major funds. Data from the other governmental funds are combined into single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The County adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison statements or schedules have been provided herein to demonstrate compliance with those budgets.

The basic governmental fund financial statements can be found on pages 3-8 of this report.

**Proprietary funds.** The County maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The County uses enterprise funds to account for its medical care facility, jail commissary operations, material recovery facility, building inspections department, and delinquent tax operations. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the County's various functions. Isabella County uses an internal service fund to account for its self-insurance activities. Because these services predominantly benefit governmental rather than business-type functions, they have been included within the *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the medical care facility and delinquent tax revolving activity, both of which are considered to be major funds. Individual fund data for nonmajor enterprise funds are provided in the form of *combining statements* elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 9-14 of this report.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on page 15 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 19-50 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain *supplementary information*. This includes the combining and individual fund financial statements and schedules. Combining and individual fund statements and schedules can be found on pages 51-101 of this report.

## Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Isabella County, assets exceeded liabilities by \$41,548,218 at the close of the most recent fiscal year.

One of the largest portions of the County's net assets (39 percent) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment), less any related debt used to acquire those assets that are still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

### Isabella County Net Assets

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Current and other assets	\$ 22,603,953	\$ 17,683,098	\$ 13,777,572	\$ 11,178,049	\$ 36,381,525	\$ 28,861,147
Capital assets, net	16,828,861	16,813,619	11,268,697	11,620,474	28,097,558	28,434,093
Total assets	39,432,814	34,496,717	25,046,269	22,798,523	64,479,083	57,295,240
Long-term liabilities outstanding	6,235,658	7,391,545	6,907,050	7,516,848	13,142,708	14,908,393
Other liabilities	8,417,936	5,385,526	1,370,221	883,228	9,788,157	6,268,754
Total liabilities	14,653,594	12,777,071	8,277,271	8,400,076	22,930,865	21,177,147
Net Assets						
Invested in capital assets, net of related debt	11,693,861	13,583,934	4,430,933	3,780,427	16,124,794	17,364,361
Restricted	283,882	295,993	3,830,776	2,657,252	4,114,658	2,953,245
Unrestricted	12,801,477	7,839,719	8,507,289	7,960,768	21,308,766	15,800,487
Total net assets	\$ 24,779,220	\$ 21,719,646	\$ 16,768,998	\$ 14,398,447	\$ 41,548,218	\$ 36,118,093

An additional portion of the County's net assets (10 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (51 percent or \$21,308,766) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the County is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

The government's net assets increased by \$5,430,125 during the current fiscal year. This increase largely reflects the mandated change in collection date of the entire December 2007 property tax levy to July 2007. Also, the county saw the taxable value of property increase by 8.4% in 2007.

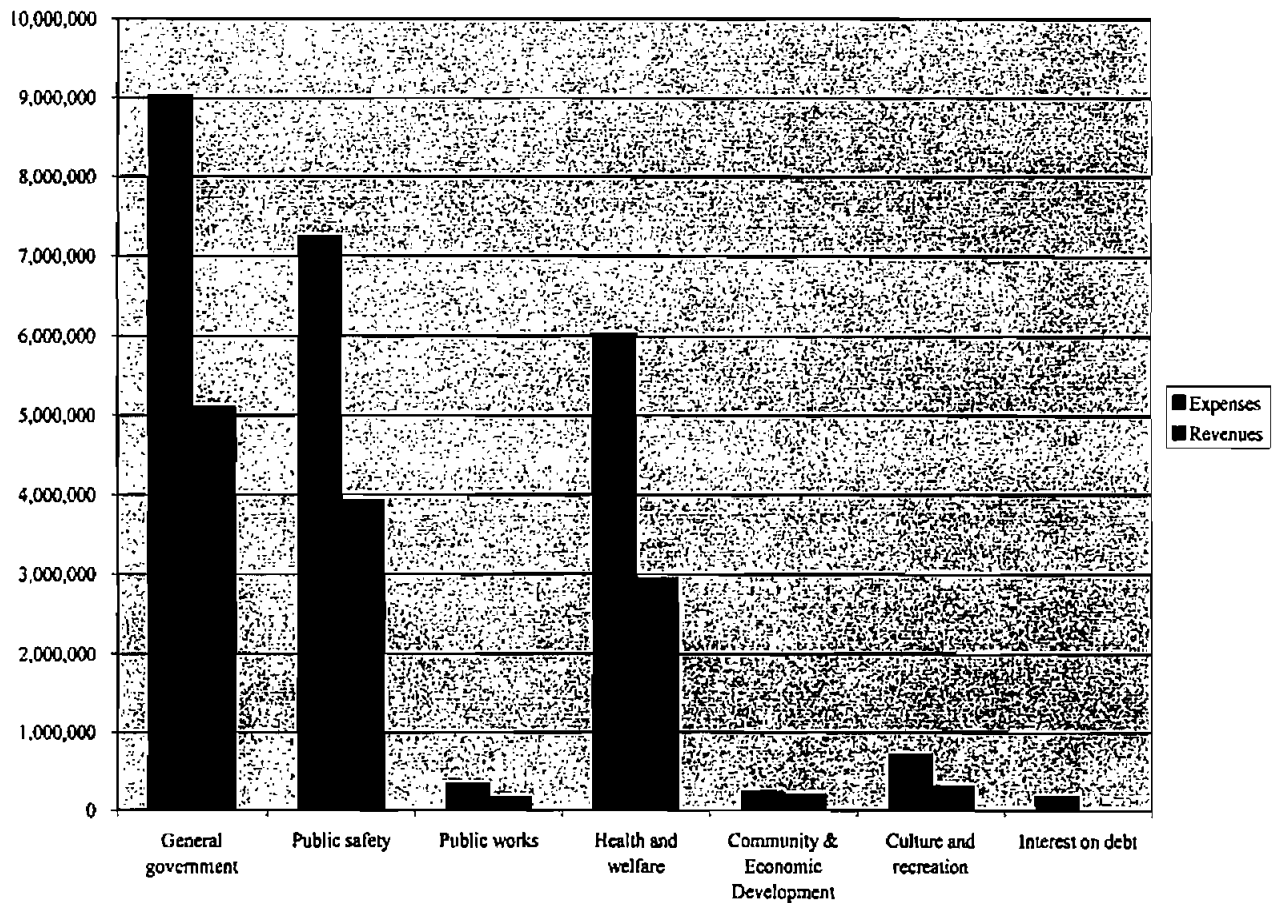
Isabella County Change in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Revenues:						
Program revenues:						
Charges for services	\$ 6,452,795	\$ 6,888,231	\$ 9,955,807	\$ 8,998,114	\$ 16,408,602	\$ 15,886,345
Operating grants and contributions	6,103,937	7,274,570	293,545	438,182	6,397,482	7,712,752
Capital grants and contributions	73,939	439,063	-	-	73,939	439,063
General revenues:						
Property taxes	13,087,917	10,964,856	1,223,378	1,150,880	14,311,295	12,115,735
Grants and contributions not restricted to specific programs	568,277	410,176	-	76,544	568,277	486,720
Unrestricted investment earnings	532,088	384,489	398,090	652,179	930,178	1,036,668
Gain on disposal of capital assets	-	-	7,000	-	7,000	-
Miscellaneous revenue	122,176	-	462,571	-	584,747	-
Total revenues	26,941,129	26,361,384	12,340,391	11,315,899	39,281,520	37,677,283
Expenses						
General government	9,037,561	5,151,468	-	-	9,037,561	5,151,468
Public safety	7,244,038	6,993,809	-	-	7,244,038	6,993,809
Public works	327,166	117,136	-	-	327,166	117,136
Health and welfare	6,019,736	5,651,353	-	-	6,019,736	5,651,353
Community & Economic Develop	230,869	3,751,725	-	-	230,869	3,751,725
Culture and recreation	704,189	1,057,792	-	-	704,189	1,057,792
Interest on debt	172,524	297,716	-	-	172,524	297,716
Delinquent property tax	-	-	179,154	70,472	179,154	70,472
Recycling facility	-	-	1,115,104	897,929	1,115,104	897,929
Building Inspections	-	-	343,190	297,811	343,190	297,811
Concessions	-	-	108,441	129,915	108,441	129,915
Medical care facility	-	-	8,368,433	7,993,776	8,368,433	7,993,776
Total expenses	23,736,073	23,020,999	10,115,322	9,389,903	33,851,395	32,410,902
Revenues over (under) expenses before transfers	3,205,056	3,340,385	2,225,069	1,925,996	5,430,125	5,266,381
Transfers - internal activities	(145,482)	429,404	145,482	(429,404)	-	-
Increase (decrease) in net assets	3,059,574	3,769,789	2,370,551	1,496,592	5,430,125	5,266,381
Net assets, beginning of year	21,719,646	17,949,857	14,398,447	12,901,855	36,118,093	30,851,712
Total net assets	\$ 24,779,220	\$ 21,719,646	\$ 16,768,998	\$ 14,398,447	\$ 41,548,218	\$ 36,118,093

**Governmental activities.** Governmental activities increased the County's net assets by \$3,059,574. Key elements of this increase are as follows:

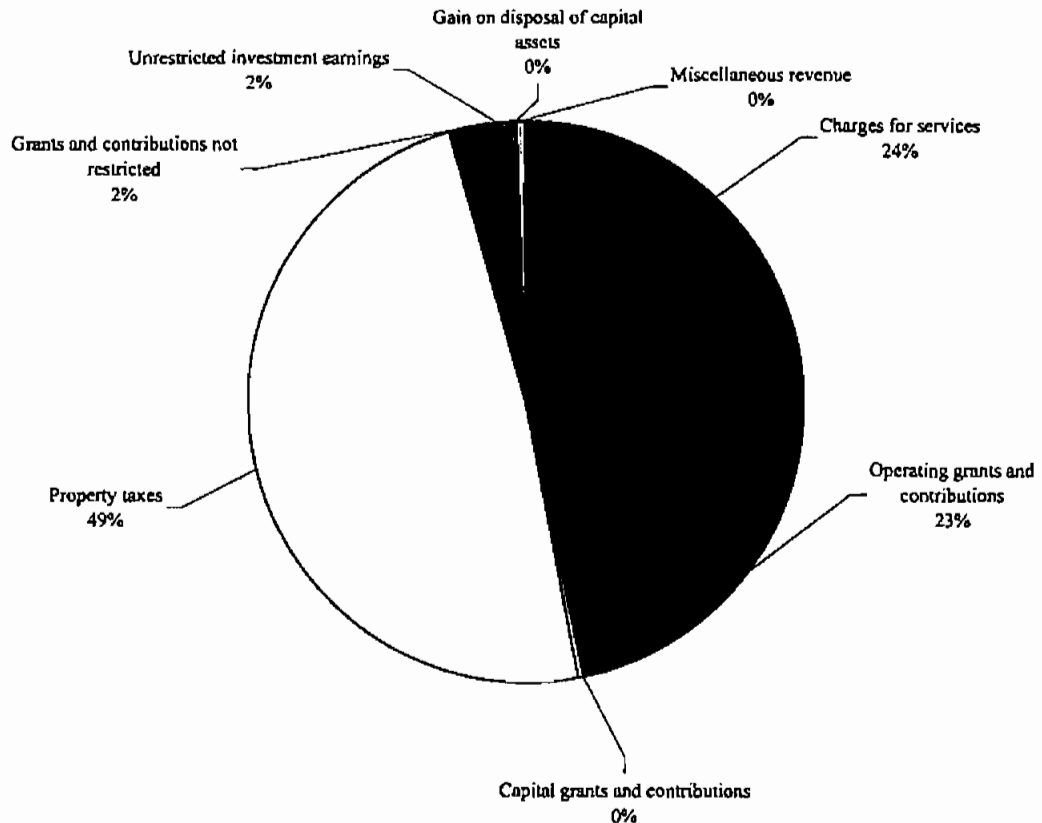
- Property taxes increased by approximately 19%. Over 55% of this increase was due to the collection of new senior millage of .88 mils voted in on the November 2006 ballot. Also, the taxable value of property increased by over 8.4 % from 2006 to 2007.
- Due to more aggressive investments of idle cash and more favorable interest rates, unrestricted investment earnings were up almost 40% compared to the prior fiscal year. This is an increase of over 100% in investment earnings over the past two fiscal years.
- Total expenses increased by 3% in 2007, while total revenue increased by 2%. This is primarily due to property tax increases discussed above.

### Expenses and Program Revenues – Governmental Activities





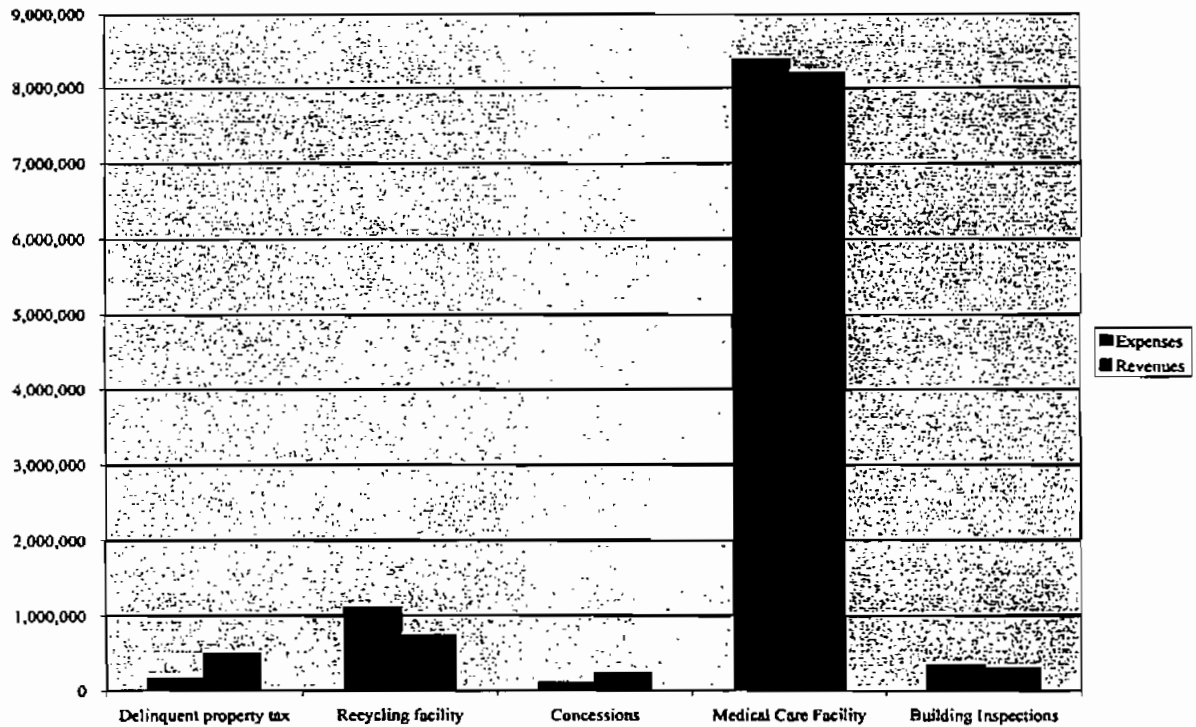
## Revenues by Source – Governmental Activities



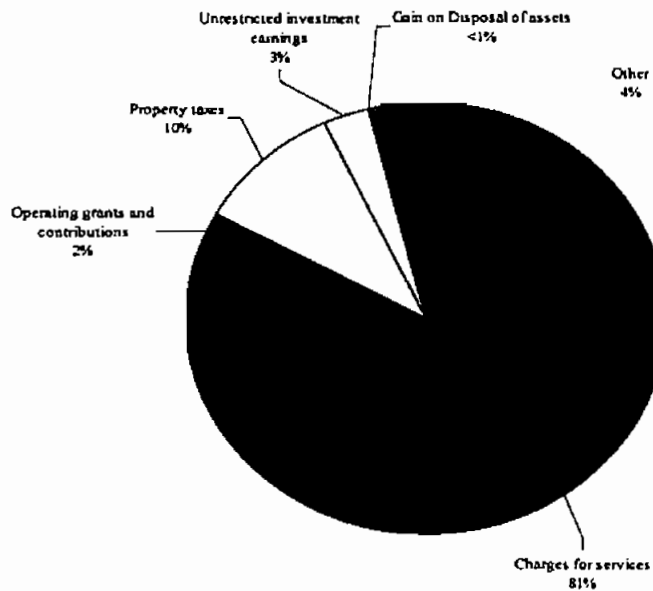
**Business-type activities.** Business-type activities increased the County's net assets by \$2,370,551 accounting for more than 40% of the growth in the government's net assets for the current year. Key elements of these increases are as follows:

- The revenue for the Medical Care Facility in the 2007 fiscal year reflects a full year of revenue with its expanded capacity. Operating expenses only increased by 3.4% compared to a 12.8% operating revenue increase.
- Transfers from the Delinquent Tax Revolving fund to other funds were \$362,250 less than the prior year. In addition, there was a large transfer from the general fund to the Building Inspections Fund of \$205,373. These two items represent 24% of the overall net asset increase in business-type activities.
- The unrestricted investment earnings again increased by a substantial amount for the fiscal year due to more aggressive investing of idle cash.
- The concessions fund continued an increase in revenues of 6% because of a change in vendor which provided a much greater selection to the inmates and also eliminated the need to carry products in inventory at year end.

### Expenses and Program Revenues – Business-type Activities



### Revenues by Source – Business-type Activities Financial Analysis of the Government's Funds



As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the County's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the County's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$11,244,055, an increase of \$2,278,118 in comparison with the prior year. Approximately 96 percent of this total amount (\$10,821,099) constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed 1) for inventory (\$28,550), 2) for prepaid items (\$110,524), or 3) for special projects (\$283,882).

The general fund is the chief operating fund of the County. At the end of the current fiscal year, unreserved fund balance of the general fund was \$4,867,875 while total fund balance was \$4,942,973. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance represents 24.5 percent of total general fund expenditures and transfers out.

The fund balance of the County's general fund increased by \$214,149 during the current fiscal year. Total revenues decreased by 1%, while total expenses decreased by 3% compared to the prior fiscal year. The fund balance increase is due in part to the increase of property taxable values, accelerated collection times, and increased interest revenues.

**Proprietary funds.** The County's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

### **General Fund Budgetary Highlights**

The difference between the original and final amended budget for expenditures resulted in an increase of \$336,412 in appropriations. The largest increases were for 1) Transfer to Capital Improvements Fund (\$129,511) to cover the cost of purchasing new copy machines for all county departments; 2) Transfer to Building Inspections Fund (\$205,373) to reverse indirect costs which had been charged to this department from 1999 to 2005. As described above, both of these increases in appropriations were reductions of the fund balance of the general fund as approved by the Board of Commissioners.

During the year, both general fund revenues and expenditures were more than budgetary estimates. Although the actual change in fund balance was an increase, it was mostly due to the conditions previously discussed.

## Capital Asset and Debt Administration

**Capital Assets.** The County's investment in capital assets for its governmental and business type activities as of September 30, 2007, amounted to \$28,097,558 (net of accumulated depreciation). This investment in capital assets includes land, building and improvements, machinery and equipment, and vehicles. The total decrease in the County's investment in capital assets for the current fiscal year was 1 percent.

Major capital asset events during the current fiscal year included the following:

- Construction in progress increased by \$384,111 in governmental type activities. This increase is mostly due to construction of a new Commission on Aging Senior Center which is expected to be completed in June 2008. The remaining \$353,357 represents the addition of a large construction project at one of the county's parks which was completed in early November 2007.
- Additions to equipment and vehicles totaled \$370,894. The largest purchases were twelve new copiers for \$98,944; a new phone system, software, server, and GPS unit in various primary government departments for \$77,733; and \$147,035 for vehicles in various primary government departments, including four new vehicles for the Sheriff's Department
- During the fiscal year, a vehicle inventory was taken which resulted in the disposal of 18 vehicles which are no longer owned by the county. These vehicles were almost fully depreciated and caused a net change of only \$2,217. The county also disposed of 20 copy machines which were obsolete. These machines were all fully depreciated.
- Land was increased by the purchase for the new Commission on Aging Senior Center construction project.
- Buildings and Improvements increased by \$55,462 for jail painting, improvements to the Day Treatment facility, and a new pole building at one of the county parks; the remaining \$72,736 were for Medical Care Facility improvements.

### Isabella County's Capital Assets (net of depreciation)

	Governmental Activities		Business-Type Activities		Total	
	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>
Land	\$ 1,926,943	\$ 2,142,082	\$ 121,953	\$ 121,953	\$ 2,048,896	\$ 2,264,035
Construction in progress	348,443	732,554	-	-	348,443	732,554
Buildings and improvements	12,250,342	11,836,027	10,450,220	10,263,707	22,700,562	22,099,734
Equipment	1,958,734	1,730,729	898,387	762,462	2,857,121	2,493,191
Vehicles	277,662	329,600	149,914	120,575	427,576	450,175
Other	<u>51,495</u>	<u>57,869</u>	<u>-</u>	<u>-</u>	<u>51,495</u>	<u>57,869</u>
Total net assets	<u>\$16,813,619</u>	<u>\$16,828,861</u>	<u>\$ 11,620,474</u>	<u>\$11,268,697</u>	<u>\$ 28,434,093</u>	<u>\$ 28,097,558</u>

Additional information on the County's capital assets can be found in note F on pages 32-37 of this report.

**Long-term debt.** At the end of the current fiscal year, the County had total debt outstanding of \$14,223,305. Of this amount, \$12,025,000 comprises debt backed by the full faith and credit of the government. The remainder of the County's debt represents leases, postclosure landfill costs, long-term insurance claims, and compensated absences.

#### **Isabella County's Outstanding Debt**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>
General obligation bonds	\$ 5,465,000	\$ 5,135,000	\$ 7,190,000	\$ 6,890,000	\$ 12,655,000	\$ 12,025,000
Capital leases	29,685	-	1,220	-	30,905	-
Postclosure landfill costs	1,077,585	1,008,197	-	-	1,077,585	1,008,197
Accrued compensated absences	819,275	829,874	381,346	412,470	1,200,621	1,242,344
Deferred charges	-	-	(55,718)	(52,236)	(55,718)	(52,236)
Total net debt	<u>\$ 7,391,545</u>	<u>\$ 6,973,071</u>	<u>\$ 7,516,848</u>	<u>\$ 7,250,234</u>	<u>\$ 14,908,393</u>	<u>\$ 14,223,305</u>

General Obligation Bonds - \$12,025,000

The County's total governmental activity debt decreased by \$418,474 (5.7 percent) during the current fiscal year.

The County's total business-type activity debt decreased by \$266,614 (3.5 percent) during the current fiscal year.

The County's bond rating ranges from A to AAA. The AAA rating is given for bond issues that are backed with millage levies.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total assessed valuation. The current debt limitation for the County is \$141,007,005 which is significantly in excess of the County's outstanding general obligation debt.

Additional information on the County's long-term debt can be found in note G on pages 37-43 of this report.

## **Economic Factors and Next Year's Budgets and Rates**

In order to maintain financial stability over the long term, the budgeting practice in Isabella County is to not only adopt a balanced budget as required by law, but to manage its budget in a manner such that actual expenses do not exceed actual revenues on an annual basis. This policy, along with a conscious awareness of the fund balance, has given Isabella County the reserves necessary to address this difficult economic time without resorting to a crisis-management approach. It has permitted the County Board to utilize its annual budget process as the primary vehicle to make decisions on the type and level of county services to be provided. When unexpected revenue losses or expenditure increases occur during the year, they will be addressed through short term expenditure reduction measures such as reductions in controllable expenses, hiring delays, and deferrals of capital expenditures.

- As the economy has slowed, there have been financial impacts to the county. Although property tax revenues remain stable, programs that rely on state and federal grants have suffered financial losses as grant funding remains unchanged or is reduced.
- The October, 2007 unemployment rate for Isabella County was 4.9%, which is an increase from a rate of 3.9% a year earlier. This was less than the State's October, 2007 average unemployment rate of 6.7% and slightly more than the national average rate of 4.8%.<sup>1</sup>
- Two Michigan constitutional laws limit property tax growth to the rate of inflation or a maximum allowable increase in assessment of 5.0 percent, whichever is less. Property tax revenue anticipated for the ensuing fiscal year will reflect the restrictions of these laws as well as an estimated reduction in tax revenue from captured values (Local Development Finance Authorities, Downtown Development Authorities, and Tax Increment Finance Authorities), brownfield zones, and board of reviews.
- Public Act 357 of 2004 (MCL 211.44a) created a funding mechanism to serve as a substitute to state revenue sharing payments. Isabella County will gradually shift its county operating property tax millage from a winter tax levy to a summer tax levy over three consecutive years. The County is required to deposit an amount equal to the County's December 2004 property tax levy into a separate special revenue fund in three separate distributions as follows:
  - in 2005, 1/3 from the December 2004 property tax levy
  - in 2006, 1/3 from the December 2005 property tax levy
  - in 2007, 1/3 from the December 2006 property tax levy

The County is then allowed to make distributions from the special revenue fund in an amount not to exceed its October 1, 2003 through September 30, 2004 revenue sharing payments adjusted for inflation.

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<sup>1</sup> Michigan Department of Labor and Economic Growth

During the current fiscal year, unreserved – undesignated fund balance in the general fund increased to \$3,017,099.

### **Requests for Information**

This financial report is designed to provide a general overview of the County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Isabella County Administration Office, 200 N. Main St., Mt. Pleasant, Michigan 48858.

## **BASIC FINANCIAL STATEMENTS**



Isabella County, Michigan

STATEMENT OF NET ASSETS

September 30, 2007

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	\$ 9,149,461	\$ 4,095,316	\$ 13,244,777	\$ 5,453,836
Investments	4,636,265	1,433,875	6,070,140	1,835,564
Receivables	2,756,940	3,554,757	6,311,697	4,669,704
Inventories	28,550	4,464	33,014	603,207
Due from other governmental units	1,075,215	201,886	1,277,101	1,818,206
Prepays	121,412	19,500	140,912	213,154
Current portion of land contract receivable	-	-	-0-	14,320
Current portion of lease receivable	5,135,000	-	5,135,000	190,000
Restricted cash and cash equivalents	-	3,522,571	3,522,571	-
Internal balances	(298,890)	298,890	-0-	-
Total current assets	22,603,953	13,131,259	35,735,212	14,797,991
Noncurrent assets				
Investments	-	646,313	646,313	-
Land contract receivable	-	-	-0-	7,574
Lease receivable	-	-	-0-	8,320,000
Capital assets not being depreciated	2,874,636	121,953	2,996,589	21,719,305
Capital assets being depreciated, net	13,954,225	11,146,744	25,100,969	59,303,113
Total noncurrent assets	16,828,861	11,915,010	28,743,871	89,349,992
TOTAL ASSETS	39,432,814	25,046,269	64,479,083	104,147,983
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable	942,942	455,615	1,398,557	751,501
Accrued wages	384,386	192,904	577,290	155,823
Other accrued liabilities	103,728	119,421	223,149	225,931
Due to other governmental units	969,720	-	969,720	362,285
Advances from other governmental units	-	-	-0-	145,108
Unearned revenue	5,279,747	257,507	5,537,254	1,205,404
Current portion of compensated absences	331,949	29,774	361,723	368,889
Current portion of long-term debt	405,464	315,000	720,464	1,298,014
Total current liabilities	8,417,936	1,370,221	9,788,157	4,512,955
Noncurrent liabilities				
Compensated absences	497,925	384,286	882,211	494,312
Noncurrent portion of long-term debt	5,737,733	6,522,764	12,260,497	13,434,463
Total noncurrent liabilities	6,235,658	6,907,050	13,142,708	13,928,775
TOTAL LIABILITIES	14,653,594	8,277,271	22,930,865	18,441,730
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	11,693,861	4,430,933	16,124,794	74,722,187
Restricted	283,882	3,830,776	4,114,658	3,348,887
Unrestricted	12,801,477	8,507,289	21,308,766	7,635,179
TOTAL NET ASSETS	\$ 24,779,220	\$ 16,768,998	\$ 41,548,218	\$ 85,706,253

See accompanying notes to financial statements.

Isabella County, Michigan

STATEMENT OF ACTIVITIES

Year Ended September 30, 2007

					Net (Expense) Revenue and Changes in Net Assets			
Functions/Programs	Expenses	Program Revenues			Primary Government		Total	Component Units
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities		
Primary government								
Governmental activities								
General government	\$ 9,037,551	\$ 3,014,558	\$ 2,079,273	\$ 6,500	\$ (3,937,220)	\$ -	\$ (3,937,220)	\$ -
Public safety	7,244,038	2,511,478	1,393,381	21,272	(3,317,927)	-	(3,317,927)	-
Public works	327,166	126,847	27,223	-	(173,096)	-	(173,096)	-
Health and welfare	6,019,736	494,261	2,452,560	-	(3,072,915)	-	(3,072,915)	-
Community and economic development	230,869	36,974	151,520	9,250	(33,125)	-	(33,125)	-
Recreation and cultural	704,189	268,677	-	36,917	(398,595)	-	(398,595)	-
Interest on long-term debt	172,524	-	-	-	(172,524)	-	(172,524)	-
Total governmental activities	23,736,073	6,452,795	6,103,937	73,939	(11,105,402)	-0-	(11,105,402)	-0-
Business-type activities								
Medical Care Facility	8,368,433	8,188,068	75,112	-	-	(105,253)	(105,253)	-
Delinquent tax	179,154	491,552	-	-	-	312,398	312,398	-
Building inspections	343,180	302,560	-	-	-	(40,630)	(40,630)	-
Recycling	1,115,104	738,576	218,433	-	-	(158,095)	(158,095)	-
Concessions	109,441	235,051	-	-	-	125,610	125,610	-
Total business-type activities	10,115,322	9,955,807	293,545	-0-	-0-	134,030	134,030	-0-
Total primary government	\$ 33,851,395	\$ 18,408,602	\$ 8,397,482	\$ 73,939	(11,105,402)	134,030	(10,971,372)	-0-
Component units								
Road Commission	\$ 7,200,675	\$ 52,466	\$ 4,763,543	\$ 5,353,882	-	-	-	2,969,216
Transportation Commission	3,840,582	551,628	1,979,076	595,407	-	-	-	(714,469)
Health Department	8,817,681	2,185,849	6,795,395	-	-	-	-	163,563
Drainage Districts	431,285	-	420,751	1,264,672	-	-	-	1,254,138
Board of Public Works	472,734	480,788	-	-	-	-	-	(11,948)
Total component units	\$ 20,762,957	\$ 3,250,729	\$ 13,958,767	\$ 7,213,961	-0-	-0-	-0-	3,660,500
General revenues								
Property taxes					13,087,917	1,223,378	14,311,295	1,214,378
Unrestricted grants and contributions					568,277	-	568,277	-
Investment earnings					532,088	398,080	930,178	233,879
Gain on disposal of capital assets					-	7,000	7,000	29,258
Other					122,176	482,571	584,747	13,923
Transfers					(145,482)	145,482	-0-	-
Total general revenues and transfers					14,164,976	2,236,521	16,401,497	1,491,438
Change in net assets					3,059,574	2,370,551	5,430,125	5,151,938
Net assets, beginning of the year					21,719,646	14,398,447	36,116,093	80,554,315
Net assets, end of the year					\$ 24,779,220	\$ 16,768,998	\$ 41,548,218	\$ 85,706,253

See accompanying notes to financial statements.

Isabella County, Michigan  
GOVERNMENTAL FUNDS BALANCE SHEET  
September 30, 2007

	General	Tribal Contribution	Revenue Sharing Reserve
<b>ASSETS</b>			
Cash and cash equivalents	\$ 3,919,315	\$ 443,849	\$ 1,666,233
Investments	2,569,489	1,000,000	-
Accounts receivable	23,953	890,768	970
Taxes receivable	922,915	-	-
Lease receivable	-	-	-
Due from other governmental units			
Federal/State	288,286	-	-
Local	207,345	20,977	-
Inventories	17,189	-	-
Prepays	57,909	-	-
Due from other funds	462,550	-	2,430,000
<b>TOTAL ASSETS</b>	<b>\$ 8,468,951</b>	<b>\$ 2,355,594</b>	<b>\$ 4,097,203</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 349,201	\$ 121,752	\$ -
Accrued wages	268,062	19,551	-
Due to other governmental units			
Federal/State	-	-	-
Local	21,995	870,194	-
Due to other funds	2,529,420	535,421	-
Deferred revenue	357,300	808,475	-
<b>TOTAL LIABILITIES</b>	<b>3,525,978</b>	<b>2,355,393</b>	<b>-0-</b>
<b>FUND BALANCES</b>			
Reserved for			
Donations for special projects	-	-	-
Inventories	17,189	-	-
Prepays	57,909	-	-
Capital projects	-	-	-
Equipment replacement	-	-	-
Unreserved			
Designated	1,850,776	-	-
Undesignated, reported in			
General fund	3,017,099	-	-
Special revenue funds	-	201	4,097,203
Debt service	-	-	-
<b>TOTAL FUND BALANCES</b>	<b>4,942,973</b>	<b>201</b>	<b>4,097,203</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 8,468,951</b>	<b>\$ 2,355,594</b>	<b>\$ 4,097,203</b>

See accompanying notes to financial statements.

Child Care	Building Authority Bonds	Nonmajor Governmental Funds	Total Governmental Funds
\$ 17,980	\$ 326,746	\$ 2,120,839	\$ 8,494,962
391,871	-	-	3,961,360
-	-	882,913	1,798,604
-	-	-	922,915
-	5,135,000	-	5,135,000
189,051	-	309,349	786,686
1,707	-	-	230,029
-	-	11,361	28,550
49,330	-	4,335	111,574
-	-	794,939	3,687,489
<u>\$ 649,939</u>	<u>\$ 5,461,746</u>	<u>\$ 4,123,736</u>	<u>\$ 25,157,169</u>
\$ 77,616	\$ -	\$ 345,623	\$ 894,192
2,017	-	94,756	384,386
61,531	-	16,000	77,531
-	-	-	892,189
65,639	203,005	588,809	3,922,294
	5,135,000	1,441,747	7,742,522
206,803	5,338,005	2,486,935	13,913,114
-	-	45,181	45,181
-	-	11,361	28,550
49,330	-	3,285	110,524
-	-	47,448	47,448
-	-	191,253	191,253
-	-	-	1,850,776
-	-	-	3,017,099
393,806	-	1,338,273	5,829,483
-	123,741	-	123,741
<u>443,136</u>	<u>123,741</u>	<u>1,636,801</u>	<u>11,244,055</u>
<u>\$ 649,939</u>	<u>\$ 5,461,746</u>	<u>\$ 4,123,736</u>	<u>\$ 25,157,169</u>

Isabella County, Michigan

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS

September 30, 2007

Total fund balance - governmental funds \$ 11,244,055

Amounts reported for the governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources  
and therefore are not reported as assets in the governmental funds.

The cost of capital assets is	\$ 29,521,296	
Accumulated depreciation is	<u>(12,692,435)</u>	
Capital assets, net		16,828,861

Long-term receivables are not available to pay for current period expenditures  
and are therefore deferred in the funds. These consist of:

Property taxes	352,775	
Lease receivable	5,135,000	
Less: lease receivable from other County funds	<u>(3,025,000)</u>	
		2,462,775

Internal service funds are used by management to charge the costs of  
certain activities to individual funds.

Net assets of governmental activities accounted for in Internal Service Funds		1,320,328
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Long-term liabilities are not due and payable in the current period and  
therefore are not reported in the Governmental Funds Balance Sheet.  
Long-term liabilities at year-end consist of:

Direct County obligations	6,143,197	
Accrued interest payable	103,728	
Compensated absences	<u>829,874</u>	
		<u>(7,076,799)</u>

Net assets of governmental activities	<u>\$ 24,779,220</u>
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See accompanying notes to financial statements.

Isabella County, Michigan

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended September 30, 2007

	General	Tribal Contribution	Revenue Sharing Reserve
<b>REVENUES</b>			
Taxes	\$ 11,909,935	\$ 1,179,867	\$ -
Licenses and permits	94,403	-	-
Intergovernmental	1,740,476	-	-
Charges for services	3,901,866	-	-
Fines and forfeits	266,437	-	-
Interest and rents	641,574	-	145,163
Contributions	-	-	-
Other	91,742	-	-
<b>TOTAL REVENUES</b>	<b>18,646,433</b>	<b>1,179,867</b>	<b>145,163</b>
<b>EXPENDITURES</b>			
Current			
General government	7,468,815	206,623	-
Public safety	4,764,685	956,631	-
Public works	321,908	-	-
Health and welfare	964,875	-	-
Community and economic development	229,521	-	-
Recreation and cultural	4,263	15,767	-
Other	382,483	-	-
Debt service	-	-	-
Capital outlay	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>14,136,550</b>	<b>1,179,021</b>	<b>-0-</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>4,509,883</b>	<b>846</b>	<b>145,163</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	1,363,428	-	2,501,750
Transfers out	(5,659,162)	(847)	(1,149,581)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(4,295,734)</b>	<b>(847)</b>	<b>1,352,169</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>214,149</b>	<b>(1)</b>	<b>1,497,332</b>
Fund balances, beginning of year	4,728,824	202	2,599,871
Fund balances, end of year	<u>\$ 4,942,973</u>	<u>\$ 201</u>	<u>\$ 4,097,203</u>

See accompanying notes to financial statements.

Child Care	Building Authority Bonds	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 670,598	\$ 507,384	\$ 14,267,784
-	-	268,677	363,080
979,922	-	2,328,651	5,049,049
216,385	-	1,168,199	5,286,450
-	-	12,942	279,379
-	275,876	43,114	1,105,727
-	-	359,798	359,798
1,445	-	59,140	152,327
1,197,752	946,474	4,747,905	26,863,594
-	-	863,407	8,538,845
-	-	972,283	6,693,599
-	-	-	321,908
2,441,847	-	2,563,557	5,970,279
-	-	-	229,521
-	-	657,627	677,657
-	-	-	382,483
-	607,765	-	607,765
-	-	1,017,937	1,017,937
2,441,847	607,765	6,074,811	24,439,994
(1,244,095)	338,709	(1,326,906)	2,423,600
1,203,891	333,424	1,895,547	7,298,040
-	(597,926)	(36,006)	(7,443,522)
1,203,891	(264,502)	1,859,541	(145,482)
(40,204)	74,207	532,635	2,278,118
483,340	49,534	1,104,166	8,965,937
\$ 443,136	\$ 123,741	\$ 1,636,801	\$ 11,244,055

Isabella County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended September 30, 2007

**Net change in fund balances - total governmental funds** **\$ 2,278,118**

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$	976,750	
Depreciation expense		(961,508)	
Excess of capital outlay over depreciation expense			15,242

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	22,146
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Internal service funds are used by management to charge the costs of certain activities to individual funds.

Net operating income from governmental activities accounted for in internal service fund	264,037		
Add: Interest revenue		55,389	
			319,426

Repayment of long-term debt and borrowing of long-term debt is reported as expenditures and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net assets. In the current year, these amounts consist of:

Repayment of long-term debt	359,685		
Decrease in long-term liability for environmental remediation		69,388	
			429,073

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Decrease in accrued interest payable	6,168		
(Increase) in accrued compensated absences		(10,599)	
			(4,431)

<b>Change in net assets of governmental activities</b>	<b>\$ 3,059,574</b>
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See accompanying notes to financial statements.



## Isabella County, Michigan

## Proprietary Funds

## STATEMENT OF NET ASSETS

September 30, 2007

	Business-type Activities				Governmental Activities
	Medical Care Facility	Delinquent Tax Revolving	Nonmajor Enterprise Funds	Total	Internal Service Fund
<b>ASSETS</b>					
Current assets					
Cash and cash equivalents	\$ 1,660,833	\$ 812,442	\$ 1,403,874	\$ 3,877,149	\$ 872,666
Investments	-	608,906	600,000	1,208,906	899,874
Receivables					
Accounts	1,210,581	669	103,159	1,314,409	47,228
Delinquent taxes	13,647	2,212,425	-	2,226,072	-
Due from other governmental units	101,656	-	80,730	182,386	78,000
Due from other funds	-	285,909	35,408	321,317	74,259
Due from patient trust fund	2,469	-	-	2,469	-
Inventories	-	-	4,464	4,464	-
Prepays	15,777	-	444	16,221	13,117
Restricted cash and cash equivalents	3,522,571	-	-	3,522,571	-
Total current assets	6,527,534	3,920,351	2,228,079	12,675,964	1,985,144
Noncurrent assets					
Investments	-	646,313	-	646,313	-
Capital assets not being depreciated	-	-	121,953	121,953	-
Capital assets being depreciated, net	10,004,501	-	1,142,243	11,146,744	-
Total noncurrent assets	10,004,501	646,313	1,264,196	11,915,010	-0-
<b>TOTAL ASSETS</b>	<b>16,532,035</b>	<b>4,566,664</b>	<b>3,492,275</b>	<b>24,590,974</b>	<b>1,985,144</b>
<b>LIABILITIES</b>					
Current liabilities					
Accounts payable	228,666	-	210,699	439,365	65,000
Accrued wages	173,603	2,330	16,971	192,904	-
Due to other funds	-	1,006	59	1,065	159,706
Interest payable	119,421	-	-	119,421	-
Current portion of compensated absences	15,000	636	14,138	29,774	-
Current portion of capital lease payable	315,000	-	-	315,000	-
Unearned revenue	228,428	-	29,079	257,507	-
Total current liabilities	1,080,118	3,972	270,946	1,355,036	224,706
Noncurrent liabilities					
Compensated absences	363,656	954	19,676	384,286	-
Capital lease payable	6,522,764	-	-	6,522,764	-
Total noncurrent liabilities	6,886,420	954	19,676	6,907,050	-0-
<b>TOTAL LIABILITIES</b>	<b>7,966,538</b>	<b>4,926</b>	<b>290,622</b>	<b>8,262,086</b>	<b>224,706</b>
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	3,166,737	-	1,264,196	4,430,933	-
Restricted for					
Equipment replacement	-	-	521,138	521,138	-
Nonexpendable	55,226	-	-	55,226	-
Expendable	3,254,412	-	-	3,254,412	-
Unrestricted	2,089,122	4,561,738	1,416,319	8,067,179	1,760,438
<b>TOTAL NET ASSETS</b>	<b>\$ 8,565,497</b>	<b>\$ 4,561,738</b>	<b>\$ 3,201,653</b>	<b>\$ 16,328,888</b>	<b>\$ 1,760,438</b>

See accompanying notes to financial statements.

Isabella County, Michigan

RECONCILIATION OF THE ENTERPRISE FUNDS STATEMENT  
OF NET ASSETS TO THE STATEMENT OF NET ASSETS

September 30, 2007

<b>Total net assets - enterprise funds</b>	<b>\$ 16,328,888</b>
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Amounts reported for business-type activities in the statement of net assets are different because:

Internal service funds are used by management to charge the costs of certain activities, such as insurance and other centralized costs, to individual funds. The assets and liabilities of certain internal services are included in business-type activities.

Add: portion of net assets of business-type activities accounted for in the internal service fund

<u>440,110</u>
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<b>Net assets of business-type activities</b>	<b><u>\$ 16,768,998</u></b>
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See accompanying notes to financial statements.

Isabella County, Michigan

Proprietary Funds

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

Year Ended September 30, 2007

	Business-type Activities				Governmental Activities
	Medical Care Facility	Delinquent Tax Revolving	Nonmajor Enterprise Funds	Total	Internal Service Fund
<b>OPERATING REVENUES</b>					
Charges for services	\$8,188,068	\$ 121,561	\$ 759,229	\$ 9,068,858	\$ 2,538,873
Sales	-	-	651,891	651,891	-
Reimbursements	-	-	-	-0-	66,317
Interest and penalties on delinquent taxes	-	235,058	-	235,058	-
<b>TOTAL OPERATING REVENUES</b>	<b>8,188,068</b>	<b>356,619</b>	<b>1,411,120</b>	<b>9,955,807</b>	<b>2,605,190</b>
<b>OPERATING EXPENSES</b>					
Personal services	4,430,592	92,354	536,179	5,059,125	-
Supplies	629,087	-	41,958	671,045	-
Contractual services	1,494,189	-	809,578	2,303,767	-
Other services and charges	1,159,327	-	89,178	1,248,505	-
Cost of goods sold	-	-	79,105	79,105	-
Health insurance benefits, premiums, and fees	-	-	-	-0-	2,310,587
Depreciation expense	390,447	-	98,537	488,984	-
<b>TOTAL OPERATING EXPENSES</b>	<b>8,103,642</b>	<b>92,354</b>	<b>1,654,535</b>	<b>9,850,531</b>	<b>2,310,587</b>
<b>OPERATING INCOME (LOSS)</b>	<b>84,426</b>	<b>264,265</b>	<b>(243,415)</b>	<b>105,276</b>	<b>294,603</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Intergovernmental					
State	-	-	19,429	19,429	-
Local	75,112	-	199,004	274,116	-
Property taxes	1,223,378	-	-	1,223,378	-
Interest revenue	178,423	105,653	114,014	398,090	55,389
Rental income	112,750	-	-	112,750	-
Sale of capital assets	-	-	7,000	7,000	-
Interest expense	(295,357)	-	-	(295,357)	-
Other	348,547	-	1,274	349,821	-
<b>TOTAL NONOPERATING REVENUES</b>	<b>1,642,853</b>	<b>105,653</b>	<b>340,721</b>	<b>2,089,227</b>	<b>55,389</b>
<b>INCOME (LOSS) BEFORE OTHER FINANCING SOURCES (USES)</b>	<b>1,727,279</b>	<b>369,918</b>	<b>97,306</b>	<b>2,194,503</b>	<b>349,992</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	-	-	358,482	358,482	-
Transfers out	-	(213,000)	-	(213,000)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-0-</b>	<b>(213,000)</b>	<b>358,482</b>	<b>145,482</b>	<b>-0-</b>
<b>CHANGE IN NET ASSETS</b>	<b>1,727,279</b>	<b>156,918</b>	<b>455,788</b>	<b>2,339,985</b>	<b>349,992</b>
Net assets, beginning of year	6,838,218	4,404,820	2,745,865	13,988,903	1,410,446
Net assets, end of year	<u>\$8,565,497</u>	<u>\$4,561,738</u>	<u>\$ 3,201,653</u>	<u>\$ 16,328,888</u>	<u>\$ 1,760,438</u>

See accompanying notes to financial statements.

Isabella County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
NET ASSETS OF ENTERPRISE FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended September 30, 2007

<b>Change in net assets - total enterprise funds</b>	<b>\$ 2,339,985</b>
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Amounts reported for business-type activities in the statement of activities are different because:

Internal service funds are used by management to charge the costs of certain activities, such as insurance and other centralized costs, to individual funds. A portion of the net revenue (expense) of the internal service fund is reported with business-type activities.

Add: increase in net assets from business-type activities accounted for in the internal service fund	<u>30,566</u>
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<b>Change in net assets of business-type activities</b>	<b><u><u>\$ 2,370,551</u></u></b>
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See accompanying notes to financial statements.

Isabella County, Michigan

Proprietary Funds

STATEMENT OF CASH FLOWS

Year Ended September 30, 2007

	Business-type Activities				Governmental Activities
	Medical Care Facility	Delinquent Tax Revolving	Nonmajor Enterprise Funds	Total	Internal Service Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Cash receipts from customers	\$ 8,167,915	\$ 121,561	\$ 1,548,504	\$ 9,837,980	\$ 2,580,668
Cash paid to suppliers	(4,070,918)	-	(1,101,902)	(5,172,820)	(1,853,607)
Cash paid for employee services and benefits	(3,855,767)	(88,434)	(533,989)	(4,478,190)	-
Interest on delinquent taxes	-	(581,170)	-	(581,170)	-
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	241,230	(548,043)	(87,387)	(394,200)	727,061
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Quality assurance program	329,899	-	-	329,899	-
Transfers in	-	-	153,109	153,109	-
Transfers out	-	(213,000)	-	(213,000)	-
State/Federal grants	-	-	218,433	218,433	-
<b>NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES</b>	329,899	(213,000)	371,542	488,441	-0-
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Property tax collections	1,226,620	-	-	1,226,620	-
Transfers in	-	-	205,373	205,373	-
Principal payments on capital debt	(300,000)	-	-	(300,000)	-
Acquisition and construction of capital assets	(81,043)	-	(52,682)	(133,725)	-
Capital contributions	93,760	-	-	93,760	-
Sale of capital assets	-	-	7,000	7,000	-
<b>NET CASH PROVIDED BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	939,337	-0-	159,691	1,099,028	-0-
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Purchase of investments	-	(275,082)	(176,709)	(451,791)	(899,874)
Interest revenue	178,423	105,653	114,014	398,090	55,389
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	178,423	(169,429)	(62,695)	(53,701)	(844,485)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	1,688,889	(930,472)	381,151	1,139,568	(117,424)
Cash and cash equivalents, beginning of year	3,494,515	1,742,914	1,022,723	6,260,152	990,090
Cash and cash equivalents, end of year	\$ 5,183,404	\$ 812,442	\$ 1,403,874	\$ 7,399,720	\$ 872,666

See accompanying notes to financial statements.

	Business-type Activities				Governmental Activities
	Medical Care Facility	Delinquent Tax Revolving	Nonmajor Enterprise Funds	Total	Internal Service Fund
Reconciliation of operating income (loss) to net cash provided (used) by operating activities					
Operating income (loss)	\$ 84,426	\$ 264,265	\$ (243,415)	\$ 105,276	\$ 294,603
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities					
Depreciation	390,447	-	98,537	488,984	-
Other income	-	-	1,274	1,274	-
(Increase) decrease in receivables	(91,692)	(581,609)	(25,800)	(699,101)	41,795
(Increase) decrease in due from other governmental units	(38,982)	50,872	161,910	173,800	(151,366)
(Increase) decrease in prepaids	1,596	-	(444)	1,152	543,461
(Increase) in inventory	-	-	(2,944)	(2,944)	-
(Increase) decrease in due from other funds	-	(285,909)	87	(285,822)	-
(Increase) in due from patient trust	(1,727)	-	-	(1,727)	-
Increase in accounts payable	33,799	-	76,039	109,838	-
(Decrease) in interest payable	(3,750)	-	-	(3,750)	-
Increase (decrease) in accrued liabilities	(130,789)	3,920	2,190	(124,679)	-
Increase (decrease) in due to other funds	-	418	(150,366)	(149,948)	(1,432)
(Decrease) in deferred revenue	(2,098)	-	(4,455)	(6,553)	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 241,230</u>	<u>\$ (548,043)</u>	<u>\$ (87,387)</u>	<u>\$ (394,200)</u>	<u>\$ 727,061</u>

Isabella County, Michigan  
Fiduciary Funds  
STATEMENT OF NET ASSETS  
September 30, 2007

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 1,471,727
Prepays	<u>28,386</u>
TOTAL ASSETS	<u>\$ 1,500,113</u>
LIABILITIES	
Due to other governmental units	
Federal/State	\$ 160,416
Local	745,607
Due to individuals and agencies	<u>594,090</u>
TOTAL LIABILITIES	<u>\$ 1,500,113</u>

See accompanying notes to financial statements.

Isabella County, Michigan

Component Units

COMBINING STATEMENT OF NET ASSETS

September 30, 2007

	Road Commission	Isabella County Transportation Commission	Central Michigan District Health Department
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 1,189,049	\$ 1,244,049	\$ 421,553
Investments	-	-	-
Receivables	1,818,691	45,913	418,633
Due from other governmental units	106,251	221,103	1,485,906
Inventories	173,539	118,512	278,571
Prepaids	122,426	55,372	35,356
Current portion of land contract receivable	11,310	3,010	-
Current portion of lease receivable	-	-	-
Total current assets	3,421,266	1,687,959	2,640,019
Noncurrent assets			
Land contract receivable	-	7,574	-
Lease receivable	-	-	-
Capital assets, not being depreciated	21,268,737	54,004	-
Capital assets, net of accumulated depreciation	42,368,396	3,893,805	999,560
Total noncurrent assets	63,637,133	3,955,383	999,560
<b>TOTAL ASSETS</b>	<b>67,058,399</b>	<b>5,643,342</b>	<b>3,639,579</b>
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	517,077	28,374	205,319
Accrued wages	-	35,017	120,806
Due to other governmental units	163,524	186,311	-
Accrued interest payable	14,354	9,086	12,770
Other accrued liabilities	90,756	5,440	33,848
Advances from other governmental units	11,030	-	134,078
Unearned revenue	-	40,817	849,390
Current portion of compensated absences	-	68,937	299,952
Current portion of long-term debt	215,128	101,631	177,500
Total current liabilities	1,011,869	475,613	1,833,663
Noncurrent liabilities			
Noncurrent portion of compensated absences	206,123	-	288,189
Noncurrent portion of long-term debt	348,094	287,779	1,176,256
Total noncurrent liabilities	554,217	287,779	1,464,445
<b>TOTAL LIABILITIES</b>	<b>1,566,086</b>	<b>763,392</b>	<b>3,298,108</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	63,059,557	3,558,399	(354,196)
Restricted	2,432,756	-	-
Unrestricted	-	1,321,551	695,667
<b>TOTAL NET ASSETS</b>	<b>\$ 65,492,313</b>	<b>\$ 4,879,950</b>	<b>\$ 341,471</b>

See accompanying notes to financial statements.



Drainage Districts	Board of Public Works	Total Component Units
\$ 2,532,928	\$ 66,257	\$ 5,453,836
1,835,564	-	1,835,564
2,377,558	8,909	4,669,704
-	4,946	1,818,206
32,585	-	603,207
-	-	213,154
-	-	14,320
-	190,000	190,000
6,778,635	270,112	14,797,991
-	-	7,574
-	8,320,000	8,320,000
380,564	16,000	21,719,305
11,993,952	47,400	59,303,113
12,374,516	8,383,400	89,349,992
19,153,151	8,653,512	104,147,983
-	731	751,501
-	-	155,823
-	12,450	362,285
54,731	4,946	95,887
-	-	130,044
-	-	145,108
315,197	-	1,205,404
-	-	368,889
613,755	190,000	1,298,014
983,683	208,127	4,512,955
-	-	494,312
3,302,334	8,320,000	13,434,463
3,302,334	8,320,000	13,928,775
4,286,017	8,528,127	18,441,730
8,458,427	-	74,722,187
916,131	-	3,348,887
5,492,576	125,385	7,635,179
<u>\$ 14,867,134</u>	<u>\$ 125,385</u>	<u>\$ 85,706,253</u>

Isabella County, Michigan

Component Units

STATEMENT OF ACTIVITIES

Year Ended September 30, 2007

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenues and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities					
Road Commission	\$ 7,200,675	\$ 52,466	\$ 4,763,543	\$ 5,353,882	\$ 2,969,216
Transportation Commission	3,840,582	551,628	1,979,078	595,407	(714,469)
Health Department	8,817,681	2,185,849	6,795,395	-	163,563
Drainage Districts	431,285	-	420,751	1,264,672	1,254,138
Board of Public Works	472,734	460,786	-	-	(11,948)
<b>TOTALS</b>	<b>\$ 20,762,957</b>	<b>\$ 3,250,729</b>	<b>\$ 13,958,767</b>	<b>\$ 7,213,961</b>	<b>3,660,500</b>
General revenues					
Taxes					1,214,378
Investment earnings					233,879
Gain on disposal of capital assets					29,258
Other					13,923
Total general revenues					1,491,438
CHANGE IN NET ASSETS					5,151,938
Restated net assets, beginning of year					80,554,315
Net assets, end of year					<u>\$ 85,706,253</u>

See accompanying notes to financial statements.

Isabella County, Michigan

NOTES TO FINANCIAL STATEMENTS

September 30, 2007

**NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Isabella County was organized in 1856 and covers an area of 572 square miles divided into 16 townships, 1 village, and 2 cities. The County seat is located in the City of Mt. Pleasant. The County operates under an elected county Board of Commissioners and provides services to its more than 63,000 residents in many areas including law enforcement, administration of justice, community enrichment and development, and human services.

The financial statements of the County have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to County governments. The Governmental Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The County's more significant accounting policies are described below.

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America; GASB Statement 14, *The Financial Reporting Entity* (as amended by GASB Statement 39); and *Statement on Michigan Governmental Accounting and Auditing No. 5*, these financial statements present the financial activities of Isabella County (primary government) and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the financial statements to emphasize that they are legally separate from the primary government.

2. Blended Component Unit

Building Authority

The Isabella County Building Authority is governed by a three (3) member Board appointed by the County Board of Commissioners. Although it is legally separate from the County, the Building Authority is reported as if it were part of the primary government because its sole purpose is to finance and construct the County's public buildings.

3. Discretely Presented Component Units

These component units are reported in a separate column to emphasize that, while legally separate, Isabella County remains financially accountable for these entities or the nature and significance of the relationship between these entities and the County is such that exclusion of these entities would render the financial statements misleading or incomplete.

Isabella County Transportation Commission

The Isabella County Transportation Commission provides mass transit services to the citizens of Isabella County. The Commission was created by an inter-local agreement between the County and the City of Mt. Pleasant. The Transportation Commission is not legally separate, but is administered by a Board with a voting majority appointed by the County Board of Commissioners. The Transportation Commission Board may not issue debt and the tax levy is subject to County Board of Commissioners' approval. The Transportation Commission taxes are levied under the taxing authority of the County, as approved by the County electors, and included as part of the County's total tax levy as well as reported in the Public Transportation Commission Fund. The Isabella County Treasurer, by statute, is responsible for the treasury function for the Commission. A copy of the Commission's audited financial statements can be obtained at their administrative offices.

NOTES TO FINANCIAL STATEMENTS

September 30, 2007

**NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

Isabella County Road Commission

The Isabella County Road Commission is responsible for the maintenance and construction of the County road system. The Road Commission operations are financed primarily from the State distribution of gas and weight taxes, Federal financial assistance, and contributions from other local government units within the County. The Commission is governed by a three (3) member Board of County Road Commissioners appointed by the County Board of Commissioners. Isabella County is secondarily obligated to provide repayment of a material loan through the State of Michigan. All long-term debt issuances excluding capital lease purchase agreements require County authorization. A copy of the Commission's audited financial statements can be obtained at their administrative offices.

Isabella County Drainage Districts

The Drain Commissioner has the sole responsibility to administer the drainage districts established by the Drain Code of 1956. The Isabella County Drain Commissioner is responsible for planning, developing, and maintaining surface water drainage systems within the County. The statutory Inter-County Drainage Boards consist of the State Director of Agriculture and the Drain Commissioners of each County involved in the projects. Each of the Drainage Districts are separate legal entities. The Drainage Board or Drain Commissioner, on behalf of the drainage district, may issue debt and levy special assessments authorized by the Drain Code without the prior approval of the County Board of Commissioners. The full faith and credit of the County may be given for the debt of the Drainage Districts upon authorization of the County Board of Commissioners. The Drainage Districts are financially accountable to the County because the County has pledged its full faith and credit for the payment of the outstanding bond issues authorized by the Drain Commissioner. The combining financial statements for the Drainage Districts are presented as part of Other Supplementary Information and are not audited separately.

Isabella County Board of Public Works

Pursuant to the provisions of Act 185, Public Acts of 1957, as amended, the Isabella County Board of Public Works has the responsibility of administering the various Public Works construction projects and the associated debt service funds. The Board is also responsible for the administration of the operations of the Lake Isabella Water Supply System. The Board of Public Works is not legally separate, but is administered by a seven (7) member Board comprised of the Drain commissioner and six (6) members with a voting majority appointed by the County Board of Commissioners. All general obligation bond issuances require County authorization and are backed by the full faith and credit of the County. The combining financial statements for the Board of Public Works are presented as part of Other Supplementary Information and are not audited separately.

Central Michigan District Health Department

The Central Michigan District Health Department is a multi-county agency established to provide public health services. The Health Department serves the Counties of Arenac, Clare, Gladwin, Isabella, Osceola and Roscommon. Isabella County and the other participating counties provide annual appropriations to subsidize the operations of the Health Department. The District Health Department is primarily responsible for the debt service relating to the Building Authority bond issue sold to finance the construction of the District Health Department Building. Financial accountability to the County is demonstrated by these annual operating appropriations and the rental of space to house their operations. In addition, the treasury function for the agency rests with the Isabella County Treasurer. A copy of the Health Department's audited financial statements can be obtained at their administrative offices.

Isabella County, Michigan  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2007

**NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**4. Jointly Governed Organizations**

**Central Michigan Mental Health Facilities Board**

The Central Michigan Mental Health Facilities Board provides mental health facilities to Isabella, Clare, Mecosta and Osceola Counties. The Central Michigan Mental Health Facilities Board is organized as a nonprofit under 501(c)(3). Each of the four counties through their respective Boards of Commissioners appoints two (2) members to the Facilities Board. The Facilities Board, Isabella County and the Isabella County Building Authority entered into a three-party agreement whereby, the County through the Building Authority sold general obligation bonds to construct a mental health building within Mt. Pleasant. The Building Authority leases the building to the County.

The County in turn subleases the building to the Facilities Board, with the annual rent equal to the debt service requirements of the bond issue. The Facilities Board entered into a separate, but related, rental agreement with the Central Michigan Mental Health Services Board to provide office space. This operating lease provides substantially all the funding necessary to meet the Facilities Board's lease obligation with the County. The title of the building is to revert to the Facilities Board upon redemption of the bond issue.

Similar arrangements have been made to construct mental health facilities in Mecosta and Osceola Counties between the Facilities Board, the counties and their Building Authorities.

The Facilities Board is legally separate from the County and has not met the financial accountability criteria of GASB Statement No. 14. For this reason it is not considered a component unit of the County.

**Central Michigan Community Mental Health Services Board**

The Central Michigan Community Mental Health Services Board reorganized as a Community Mental Health Authority under Public Act 258 of 1974, as amended. The Board has representatives and provides services to Clare, Isabella, Osceola, and Mecosta Counties. All participating counties provide annual appropriations; however, none of the participating counties are financially responsible for the Board.

The Services Board is legally separate from the County and has not met the financial accountability criteria of GASB Statement No. 14. For this reason it is not considered a component unit of the County.

**5. Related Organization**

**Economic Development Corporation**

The Isabella County Economic Development Corporation (EDC) was established to provide community and economic development services. The County's officials are responsible for appointing the members of the Board of the Economic Development Corporation. The County's responsibility for this organization does not extend beyond making the board appointments. In 2007, the County did not provide any operating assistance to this organization.

**6. Basis of Presentation**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The statement of net assets and the statement of activities (the government-wide statements) present information for the primary government and its component units as a whole. All nonfiduciary activities of the primary government are included (i.e., fiduciary fund activities are not included in the government-wide statements). For the most part, interfund activity has been eliminated in the preparation of these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

NOTES TO FINANCIAL STATEMENTS

September 30, 2007

**NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

6. Basis of Presentation - continued

GOVERNMENT-WIDE FINANCIAL STATEMENTS - CONTINUED

The statement of activities presents the direct functional expenses of the primary government and its component units and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients of goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes all taxes, interest, and unrestricted State revenue sharing payments and other general revenues and shows how governmental functions are either self-financing or supported by general revenues.

FUND FINANCIAL STATEMENTS

The fund financial statements present the County's individual major funds and aggregated nonmajor funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The major funds of the County are:

- a. The General Fund is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- b. The Tribal Contribution Fund accounts for the funding provided from the Saginaw Chippewa Tribe and the related uses of those funds.
- c. The Revenue Sharing Reserve Fund accounts for the shift of State Revenue Sharing dollars from State to local funding as required by Public Act 357 of 2004.
- d. The Child Care Fund accounts for grant funds received for the purpose of providing child care services.
- e. The Building Authority Bonds Fund accounts for the debt service on the bonds issued by the building authority.
  - The District Health Department Building Authority \$2,135,000 bond issue dated May 1, 1996.
  - The State Police Building Authority \$1,200,000 bond issue dated May 18, 1998.
  - The Courthouse Building Authority \$4,050,000 bond issue dated July 12, 1999.
- f. The Delinquent Tax Revolving Fund accounts for the activities of the government's purchase and collection of delinquent property taxes.
- g. The Medical Care Facility Fund accounts for the activities of the government's in-patient medical care.

7. Measurement Focus

The government-wide and proprietary fund financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the government-wide statements are provided that explain the differences in detail.

NOTES TO FINANCIAL STATEMENTS

September 30, 2007

**NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**7. Measurement Focus - concluded**

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

There is no measurement focus for fiduciary funds since assets equal liabilities.

**8. Basis of Accounting**

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

All governmental and similar trust funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become susceptible to accrual (when they become both "measurable" and "available to finance expenditures of the current period"). The length of time used for "available" for purposes of revenue recognition in the governmental fund financial statements is 60 days. Revenues that are considered measurable but not available are recorded as a receivable and deferred revenue. Significant revenues susceptible to accrual are special assessments and certain intergovernmental revenues. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for interest on long-term debt which is recorded when due.

All proprietary and similar trust funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The County has elected not to follow subsequent private-sector guidance.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Enterprise Funds are charges to customers for sales and services. Operating expenses for enterprise funds include the costs of sales and services, administrative expenses, and other costs of running the activity. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. If/when both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources as they are needed.

**9. Budgets and Budgetary Accounting**

The General and Special Revenue Funds' budgets shown as required and other supplementary information were prepared on the same modified accrual basis used to reflect actual results.

Budgets are adopted by the County Board of Commissioners for the General and Special Revenue Funds, except for those that are adopted and administered by separate Boards. The budget document presents information by fund, function, department and line items. The County Board of Commissioners monitors and amends the budgets as necessary. Budgetary control is exercised at the department level. Management is authorized to amend the budget within departments at a line item level without board approval. The County employs the following procedures in establishing budgets:

NOTES TO FINANCIAL STATEMENTS

September 30, 2007

**NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

9. Budgets and Budgetary Accounting - continued

- a. The County departments submit their budgetary estimates to the Administrator who will review the estimates and assemble and submit a recommended budget to each department, which is then submitted to the appropriate standing committees. The operating budgets include proposed expenditures and resources to finance them.
- b. The appropriate standing committees will then convey the proposed budgets to the Board of Commissioners in a public hearing.
- c. The County does not employ encumbrance accounting as an extension of formula budgetary integration in the governmental funds. All unexpended appropriations lapse at year-end, unless specifically re-appropriated by Board action.
- d. Applicable budgeted amounts are reported as originally adopted or as amended by the Board of Commissioners during the year. Individual amendments were not material in relation to the original appropriations that were adopted.

10. Cash and Cash Equivalents

The County pools cash resources of various funds in order to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balances in the pooled cash accounts are available to meet current operating requirements. Cash in excess of current requirements is invested in various interest bearing securities and disclosed as part of the County's investments. Cash equivalents consist of temporary investments in various instruments with a maturity from date of purchase of 90 days or less.

11. Investments

Investments consist of certificates of deposit and U.S. Government Securities with original maturities of greater than 90 days. Investments are recorded at market value in accordance with GASB 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.

12. Restricted Assets

Certain resources have been classified as restricted on the balance sheet because their use is limited. The Medical Care Facility has recorded restricted assets for vested employee sick and vacation leave, funding of depreciation, capital projects, and various trust activities.

13. Receivables

Receivables consist of amounts due from governmental units for various financial assistance programs, accounts receivable related to charges for services, special assessments, and notes and leases receivable made in connection with various programs.

14. Capitalized Lease Receivable

**PRIMARY GOVERNMENT**

The Isabella County Building Authority (included as part of the primary government) has entered into numerous contracts with the County and other agencies for the purposes of constructing buildings and the financing of the same by the Building Authority through the issuance of Building Authority bonds.



NOTES TO FINANCIAL STATEMENTS

September 30, 2007

**NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**14. Capitalized Lease Receivable - continued**

**PRIMARY GOVERNMENT - CONCLUDED**

The agreements specify that the Building Authority enter into lease agreements for the buildings with the County. The County in turn leases the building to the ultimate user, if not a part of the County, and that lease is at a rate sufficient to retire the bonds and pay all other necessary and proper expenses of the Project. The future minimum lease payments to be received under each lease agreement are equal to the outstanding principle and interest on the bond issue.

The agreement specifies that when all the bonds have been retired, the Authority shall convey to the County all of its rights, title and interest in the project. In accordance with Financial Accounting Standards Board (FASB) Statement No. 13, the lease is accounted for as a sale of the building by the Building Authority as it constitutes a capital lease. For those leases with outside agencies, the aggregate future lease payments necessary for retirement of outstanding bond principal have been recorded as a Capitalized Lease Receivable. Deferred Revenue is shown on the balance sheet in the same amount as the Capitalized Lease Receivable as revenue that is not recognized until lease payments are received. There is no provision for any contingent rentals in the lease.

**COMPONENT UNITS**

In accordance with the terms of an agreement between the Isabella County Board of Public Works and the Village of Shepherd, the County authorized the construction of a Sanitary Sewer/Storm Water Separation project and the financing of the same by the Board of Public Works through the issuance of a \$3,750,000 bond issue. Of the original issue, \$3,000,000 of the debt was defeased with the issuance of 1999 refunding Bonds. The April 1, 1999 bond issue of \$2,460,000 resulted in an economic gain, along with local contributions that reduced the amount of the debt obligation.

In accordance with the terms of an agreement between the Isabella County Board of Public Works and the City of Clare, the County authorized the construction of a Water and Sewer System improvement project and the financing of the same by the Board of Public Works through the issuance of a \$700,000 bond issue.

In accordance with the terms of an agreement between the Isabella County Board of Public Works and Union Township, the County authorized the construction of a Wastewater Treatment Plant construction project and the financing of the same by the Board of Public Works through the issuance of a \$7,605,000 bond issue.

These agreements provide for the Board of Public Works to enter into lease agreements with the local units with rentals equal to the annual debt service requirements over the life of the bond issue. The local unit is responsible for the operation, maintenance, and management of the system over the life of the lease. Upon final payment of the bond issue, ownership of the assets will revert to the local unit. Consequently, the leases are accounted for as capital leases in accordance with Financial Accounting Standards Board (FASB) Statement No. 13.

On this basis, the aggregate future lease payments necessary for the retirement of outstanding bond principal have been recorded as a Capitalized Lease Receivable. Deferred Revenue is shown on the Balance Sheet of the Shepherd Storm Sewer, Clare Water and Sewer, and Union Township Wastewater Treatment Debt Service Funds in the Board of Public Works Component Unit in the same amount as the Capitalized Lease Receivable as revenue that is not recognized until lease payments are received. There is no provision for any contingent rental contained in the lease. The future minimum lease payments to be received are equal to the outstanding principal and interest on the bond issue.

**15. Inventories**

Inventories for the General Fund County Jail and Commission on Aging Fund consist of food and food supplies, and are reported at cost and accounted for using the consumption method. Reserved fund balances have been recorded to indicate that inventories are not currently available, spendable components of fund balance.

NOTES TO FINANCIAL STATEMENTS

September 30, 2007

**NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**16. Prepaids**

Prepaids consist of amounts paid in the current year that pertain to the following fiscal year. Reserved fund balances have been recorded in the applicable funds to indicate that prepaids are not currently available, spendable components of fund balance. Reserved fund balance has not been recorded in funds where a deficit exists.

**17. Compensated Absences**

County employees are granted vacation and sick leave in varying amounts according to their personnel contracts. In the event of termination, individual employees have vested rights to receive payment for unused vacation and sick leave.

Accumulated vacation and sick pay amounts that are vested have been recorded in the government-wide financial statements.

**18. Deferred Revenue**

Deferred revenue consists of amounts related to long-term receivables recorded at the fund level that are not available to finance current period expenditures and are therefore deferred and also amounts received for various grant programs that has not yet been earned. Unearned revenue recorded in governmental activities and proprietary funds are so labeled to indicate that the availability criteria used in modified accrual basis statements does not apply.

**19. Interfund Transactions**

During the course of normal operations, the County has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

**20. Capital Assets**

**PRIMARY GOVERNMENT AND COMPONENT UNITS (EXCEPT ROAD COMMISSION)**

Capital assets include land, buildings, equipment, vehicles, and drain infrastructure and are recorded (net of accumulated depreciation, if applicable) in the government-wide financial statements under the governmental activities and component unit columns. Capital assets are those with an initial individual cost of \$5,000 or more (\$25,000 for drain infrastructure) and an estimated useful life of more than one year.

Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Buildings and improvements	20 - 50 years
Equipment	4 - 20 years
Infrastructure	5 - 100 years
Vehicles	5 - 20 years
Other	5-15 years

NOTES TO FINANCIAL STATEMENTS

September 30, 2007

**NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONCLUDED**

**20. Capital Assets - concluded**

**ROAD COMMISSION - COMPONENT UNIT**

Capital assets, which include property, equipment, and infrastructure assets (i.e., roads, bridges, and similar items), are reported in the government-wide financial statements (statement of net assets and statement of changes in net assets). Capital assets are defined by the Road Commission as assets with an initial individual cost of more than \$1,000 and an estimated life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date donated.

Depreciation is recorded over the estimated useful lives (ranging from four to fifty years) of the assets, using the sum-of-years digits method for road equipment and straight-line method for all other capital assets and infrastructure as follows:

Buildings and improvements	30 - 50 years
Road Equipment	5 - 8 years
Shop Equipment	10 years
Engineering Equipment	4 - 10 years
Office Equipment	4 - 10 years
Infrastructure - Roads	8 - 30 years
Infrastructure - Bridges	12 - 50 years

**21. Long-Term Obligations**

Long-term debt and other long-term obligations are recognized as a liability in the government-wide financial statements and proprietary fund types when incurred. The portion of those liabilities expected to be paid within the next year is a current liability with the remaining amounts shown as long-term.

Long-term debt is recognized as a liability of a governmental fund when due or when resources have been accumulated in a Debt Service Fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

**22. Internal Service Fund**

The County uses an internal service fund to account for revenues collected from user departments for the payment of costs incurred to administer a self-funded health insurance program including actual claims paid for active and eligible retired employees and their families.

**23. Federal Programs**

Federal programs are accounted for in the funds to which the programs pertain. The Single Audit reports and financial data will have been presented as an additional section of the Comprehensive Annual Financial Report.

**24. Comparative Data**

Comparative data has not been presented in the accompanying financial statements since their inclusion would make the statements unduly complex and difficult to read.

Isabella County, Michigan

NOTES TO FINANCIAL STATEMENTS

September 30, 2007

**NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS**

The County utilizes various pooled cash accounts and investments for approximately 64 funds. The County's pooled cash and investments consist of a common checking account.

The County's pooled cash and investments are utilized by the General Fund, Special Revenue Funds, Capital Project Funds, Enterprise Funds, Internal Service Funds, Trust and Agency Funds, and Component Unit Funds. Each fund's portion of these pooled accounts is included in the cash and cash equivalents caption in the applicable balance sheet/statement of net assets.

The other funds of the County utilize separate savings and interest bearing checking accounts. In addition, certificates of deposit and mutual funds are separately held by several of the County's funds.

In accordance with Michigan Compiled Laws, the County is authorized to invest in the following investment vehicles:

- a. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation (FDIC) or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation (FSLIC) or a credit union which is insured by the National Credit Union Administration (NCUA), but only if the bank, savings and loan association, or credit union is eligible to be a depository of surplus funds belonging to the State under section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of the Michigan Compiled Laws.
- c. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
- d. The United States government or federal agency obligations repurchase agreements.
- e. Bankers acceptances of United States banks.
- f. Mutual funds composed of investment vehicles, which are legal for direct investment by local units of government in Michigan.

**Deposits**

Federal Deposit Insurance Corporation (FDIC), FSLIC, and NCUA regulations provide that deposits of governmental units are to be separately insured for the amount of \$100,000 for deposits in an insured bank for savings deposits, and \$100,000 for demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000. Michigan Compiled Laws allow for collateralization of government deposits, if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association.

A reconciliation of cash and investments as shown in the basic financial statements to the County's deposits and investments is as follows:

<b>Carrying Amount</b>	
<b>PRIMARY GOVERNMENT</b>	
Cash and cash equivalents	\$ 13,244,777
Investments	6,716,453
Restricted cash and investments	<u>3,522,571</u>
Total primary government	23,483,801

Isabella County, Michigan

NOTES TO FINANCIAL STATEMENTS

September 30, 2007

**NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED**

**Deposits - continued**

**Carrying Amount - concluded**

**FIDUCIARY FUNDS**

Cash and cash equivalents \$ 1,471,727

**COMPONENT UNITS**

Cash and cash equivalents 5,453,836

Investments 1,835,564

Total component units 7,289,400

**TOTAL REPORTING ENTITY** **\$ 32,244,928**

**Deposits and Investments**

Bank deposits (checking accounts, savings accounts, and certificates of deposit) \$ 26,618,459

**Investments:**

Investment funds 4,607,672

Commercial paper 1,013,283

Cash on hand 5,514

**\$ 32,244,928**

Deposits of the County are at federally insured banks located in the State of Michigan with all accounts maintained in the name of the County. As of September 30, 2007, the primary government, component units, and fiduciary fund accounts were insured by the FDIC, FSLIC or NCUA for \$1,743,377 and the amount of \$26,299,133 was uninsured and uncollateralized.

Due to significantly higher cash flow at certain periods during the year, the amount the County held as cash and cash equivalents increased significantly. As a result, the amount of uninsured and uncollateralized cash and cash equivalents were substantially higher at these peak periods than at year-end.

**Investments**

As of September 30, 2007, the County had the following investments:

<u>INVESTMENT TYPE</u>	<u>Carrying Amount</u>	<u>Market Value</u>	<u>Moody's Rating</u>	<u>Weighted Average Maturity</u>
<b>PRIMARY GOVERNMENT</b>				
Uncategorized pooled investments				
MBIA - Michigan Class	\$ 4,607,672	\$ 4,607,672	Not Rated	N/A
Commercial paper	<u>1,013,283</u>	<u>1,013,283</u>	A1/P1	53 days
	<u><b>\$ 5,620,955</b></u>	<u><b>\$ 5,620,955</b></u>		

**Credit Risk**

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). As of September 30, 2007, rating information on the County's investments is presented above.

Isabella County, Michigan  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2007

**NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONCLUDED**

**Interest rate risk**

The County's investment policy includes a list of allowable investments in compliance with State Law. However, the County's investment policy does not specifically address the limits on investment maturities beyond the limits put in place by State Law.

**Concentration of credit risk**

The County's investment policy does not have specific limits or address concentration of credit risk.

**NOTE C: INTERFUND TRANSFERS**

Permanent reallocation of resources between funds of the reporting entity is classified as interfund transfers. For the purpose of the Statement of Activities, all interfund transfers between individual governmental funds, business type funds, and component units have been eliminated.

Transfers to General Fund from:	
Tribal Contributions Fund	\$ 847
Revenue Sharing Reserve Fund	1,149,581
Delinquent Tax Revolving Fund	<u>213,000</u>
	<u>\$ 1,363,428</u>
Transfers to Revenue Sharing Reserve Fund from:	
General Fund	<u>\$ 2,501,750</u>
Transfers to Child Care Fund from:	
General Fund	\$ 1,178,891
Nonmajor governmental funds	<u>25,000</u>
	<u>\$ 1,203,891</u>
Transfers to Building Authority Bonds Fund from:	
General Fund	<u>\$ 333,424</u>
Transfers to Nonmajor Governmental funds from:	
General Fund	\$ 1,286,615
Building Authority Bonds Fund	597,926
Nonmajor governmental funds	<u>11,006</u>
	<u>\$ 1,895,547</u>
Transfers to Nonmajor Enterprise funds from:	
General Fund	<u>\$ 358,482</u>

Isabella County, Michigan

NOTES TO FINANCIAL STATEMENTS

September 30, 2007

**NOTE D: INTERFUND RECEIVABLES AND PAYABLES**

Due to General Fund from:	
Tribal Contributions Fund	\$ 27,201
Child Care Fund	65,639
Nonmajor governmental funds	209,945
Nonmajor enterprise funds	59
Internal service fund	<u>159,706</u>
	<u>\$ 462,550</u>
Due to Revenue Sharing Reserve fund from:	
General Fund	<u>\$ 2,430,000</u>
Due to Nonmajor governmental funds from:	
General Fund	\$ 19,838
Tribal Contributions Fund	479,141
Building Authority Bonds Fund	203,005
Nonmajor governmental funds	<u>92,955</u>
	<u>\$ 794,939</u>
Due to Delinquent Tax Revolving fund from:	
Nonmajor governmental funds	<u>\$ 285,909</u>
Due to Nonmajor enterprise funds from:	
General Fund	\$ 5,323
Tribal Contributions Fund	29,079
Delinquent Tax Revolving fund	<u>1,006</u>
	<u>\$ 35,408</u>
Due to Internal Service fund from:	
General Fund	<u>\$ 74,259</u>
Due to component unit funds from:	
Component unit funds	<u>\$ 127,675</u>

Amounts appearing as interfund payables and receivables arise from two types of transactions. One type of transaction is where a fund will pay for a good or service that at least a portion of the benefit belongs to another fund. The second type of transaction is where one fund provides a good or service to another fund. Balances at the end of the year are for transfers that have not cleared as of the balance sheet date.

Isabella County, Michigan

NOTES TO FINANCIAL STATEMENTS

September 30, 2007

**NOTE E: LEASES**

Central Michigan District Health Department leases an office facility under a long-term noncancelable operating lease agreement. Rent expense for the year ended September 30, 2007 amounted to \$81,238. The following is a schedule of future minimum rental payments required under this lease, as of September 30, 2007:

<u>Year Ending September 30,</u>	<u>Amount</u>
2008	\$ 81,238
2009	81,238
2010	81,238
2011	81,238
2012	81,238
2013-2015	<u>243,714</u>
Total minimum lease-rental payments required	<u>\$ 649,904</u>

The Department also leases office space in four other counties on a month-to-month basis. The Department is generally responsible for utilities, maintenance and repairs, and certain insurance coverage related to leased properties.

**NOTE F: CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2007, was as follows:

**Primary Government**

	<u>Balance Oct. 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance Sept. 30, 2007</u>
Governmental activities				
Capital assets, not being depreciated:				
Land	\$ 1,926,943	\$ 215,139	\$ -	\$ 2,142,082
Construction in progress	<u>348,443</u>	<u>384,111</u>	<u>-</u>	<u>732,554</u>
Subtotal	2,275,386	599,250	-0-	2,874,636
Capital assets, being depreciated:				
Buildings and improvements	20,876,800	21,538	-	20,898,338
Equipment	4,780,278	193,312	( 197,762 )	4,775,828
Vehicles	909,256	147,035	( 359,564 )	696,727
Other	<u>260,152</u>	<u>15,615</u>	<u>-</u>	<u>275,767</u>
Total capital assets, being depreciated	26,826,486	377,500	( 557,326 )	26,646,660



Isabella County, Michigan  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2007

**NOTE F: CAPITAL ASSETS - CONTINUED**

**Primary Government - continued**

	<u>Balance Oct. 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance Sept. 30, 2007</u>
Governmental activities - concluded				
Less accumulated depreciation for:				
Buildings and improvements	\$( 8,626,458 )	\$( 435,853 )	\$ -	\$( 9,062,311 )
Equipment	( 2,821,544 )	( 421,317 )	197,762	( 3,045,099 )
Vehicles	( 631,594 )	( 92,880 )	357,347	( 367,127 )
Furniture and other assets	( 208,657 )	( 9,241 )	-	( 217,898 )
Total accumulated depreciation	<u>(12,288,253)</u>	<u>( 959,291 )</u>	<u>555,109</u>	<u>(12,692,435)</u>
Total capital assets being depreciated, net	<u>14,538,233</u>	<u>( 581,791 )</u>	<u>( 2,217 )</u>	<u>13,954,225</u>
Governmental activities capital assets, net	<u>\$16,813,619</u>	<u>\$ 17,459</u>	<u>\$( 2,217 )</u>	<u>\$16,828,861</u>

Depreciation expense was charged to governmental activities as follows:

Governmental activities	
General government	\$ 399,638
Public safety	515,094
Public works	3,539
Health and welfare	17,914
Recreational and cultural	22,957
Community and economic development	149
Total Governmental Activities	<u>\$ 959,291</u>

The current year depreciation expense of \$959,291 has been adjusted by \$2,217 for the disposal of capital assets during the year, in accordance with GASB Statement No. 34 implementation guide which states that immaterial losses may be handled as an adjustment to the current period's depreciation expense.

	<u>Balance Oct. 1, 2006</u>	<u>Additions/ Reclassifications</u>	<u>Deletions/ Reclassifications</u>	<u>Balance Sept. 30, 2007</u>
Business-type Activities				
Capital assets, not being depreciated:				
Land	\$ 121,953	\$ -	\$ -	\$ 121,953
Capital assets, being depreciated:				
Buildings and improvements	12,873,774	106,660	-	12,980,434
Equipment	2,980,446	30,547	-	3,010,993
Vehicles	<u>374,751</u>	<u>-</u>	<u>-</u>	<u>374,751</u>
Total capital assets, being depreciated	16,228,971	137,207	-0-	16,366,178

Isabella County, Michigan

NOTES TO FINANCIAL STATEMENTS

September 30, 2007

**NOTE F: CAPITAL ASSETS - CONTINUED**

	<u>Balance Oct. 1, 2006</u>	<u>Additions/ Reclassifications</u>	<u>Deletions/ Reclassifications</u>	<u>Balance Sept. 30, 2007</u>
Business-type Activities - concluded				
Less accumulated depreciation for:				
Buildings and improvements	\$( 2,423,554 )	\$( 293,173 )	\$ -	\$( 2,716,727 )
Equipment	( 2,082,059 )	( 166,472 )	-	( 2,248,531 )
Vehicles	( 224,837 )	( 29,339 )	-	( 254,176 )
Total accumulated depreciation	<u>( 4,730,450 )</u>	<u>( 488,984 )</u>	<u>-0-</u>	<u>( 5,219,434 )</u>
Total capital assets being depreciated, net	<u>11,498,521</u>	<u>( 351,777 )</u>	<u>-0-</u>	<u>11,146,744</u>
Business-type Activities capital assets, net	<u>\$11,620,474</u>	<u>\$( 351,777 )</u>	<u>\$ -0-</u>	<u>\$11,268,697</u>

Depreciation expense was charged to governmental activities as follows:

Business-type activities	
Medical care facility	\$ 390,446
Building inspections	9,088
Recycling facility	77,658
Concessions	<u>11,792</u>
Total Business-type Activities	<u>\$ 488,984</u>

**Discretely Presented Component Units**

	<u>Balance Oct. 1, 2006</u>	<u>Additions/ Reclassifications</u>	<u>Deletions/ Reclassifications</u>	<u>Balance Sept. 30, 2007</u>
Component Unit - Drainage Districts				
Capital assets not being depreciated:				
Construction in progress	\$ 437,204	\$ 380,564	\$( 437,204 )	\$ 380,564
Capital assets, being depreciated:				
Infrastructure - drains	13,821,442	1,003,923	-	14,825,365
Less accumulated depreciation for:				
Infrastructure - drains	<u>( 2,519,194 )</u>	<u>( 312,219 )</u>	<u>-</u>	<u>( 2,831,413 )</u>
Total capital assets being depreciated, net	<u>11,302,248</u>	<u>691,704</u>	<u>-0-</u>	<u>11,993,952</u>
Drainage districts capital assets, net	<u>\$11,739,452</u>	<u>\$ 1,072,268</u>	<u>\$( 437,204 )</u>	<u>\$12,374,516</u>

Isabella County, Michigan  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2007

**NOTE F: CAPITAL ASSETS - CONTINUED**

**Discretely Presented Component Units - continued**

	<u>Balance Oct. 1, 2006</u>	<u>Additions/ Reclassifications</u>	<u>Deletions/ Reclassifications</u>	<u>Balance Sept. 30, 2007</u>
<b>Component Unit - Board of Public Works</b>				
Capital assets not being depreciated:				
Land	\$ 16,000	\$ -0-	\$ -0-	\$ 16,000
Capital assets being depreciated:				
Buildings	12,856	-	-	12,856
Equipment	12,197	-	-	12,197
Infrastructure - water supply	<u>216,425</u>	<u>-</u>	<u>-</u>	<u>216,425</u>
Subtotal	241,478	-0-	-0-	241,478
Less accumulated depreciation for:				
Buildings	( 12,856 )	( - )	-	( 12,856 )
Equipment	( 12,197 )	( - )	-	( 12,197 )
Infrastructure - water supply	<u>( 162,174 )</u>	<u>( 6,851 )</u>	<u>-</u>	<u>( 169,025 )</u>
Subtotal	<u>( 187,227 )</u>	<u>( 6,851 )</u>	<u>-0-</u>	<u>( 194,078 )</u>
Total capital assets being depreciated, net	<u>54,251</u>	<u>( 6,851 )</u>	<u>-0-</u>	<u>47,400</u>
Board of Public Works capital assets, net	<u>\$ 70,251</u>	<u>\$ ( 6,851 )</u>	<u>\$ -0-</u>	<u>\$ 63,400</u>
	<u>Balance Oct. 1, 2006</u>	<u>Additions</u>	<u>Adjustments/ Deductions</u>	<u>Balance Sept. 30, 2007</u>
<b>Component Unit - Road Commission</b>				
Capital assets not being depreciated:				
Land	\$ 225,882	\$ -	\$ -	\$ 225,882
Land improvements	126,167	-	-	126,167
Land- infrastructure	<u>20,126,403</u>	<u>790,285</u>	<u>-</u>	<u>20,916,688</u>
Subtotal	20,478,452	790,285	-0-	21,268,737
Capital assets being depreciated				
Buildings	745,192	43,411	126,388	914,991
Equipment	6,122,605	341,890	( 310,950 )	6,153,545
Infrastructure - Bridges	14,509,828	839,295	( 11,664 )	15,337,459
Infrastructure - Roads	<u>47,048,491</u>	<u>3,723,697</u>	<u>41,812</u>	<u>50,814,000</u>
Total	68,426,116	4,948,293	( 154,414 )	73,219,995

Isabella County, Michigan  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2007

**NOTE F: CAPITAL ASSETS - CONTINUED**

**Discretely Presented Component Units - continued**

	<u>Balance Oct. 1, 2006</u>	<u>Additions</u>	<u>Adjustments/ Deductions</u>	<u>Balance Sept. 30, 2007</u>
Component Unit - Road Commission - continued				
Less accumulated depreciation				
Buildings	\$( 408,452 )	\$( 24,152 )	\$ -	\$( 432,604 )
Equipment	( 5,168,762 )	( 307,397 )	34,034	( 5,442,125 )
Infrastructure - Bridges	( 4,224,510 )	( 272,949 )	( 218,236 )	( 4,715,695 )
Infrastructure - Roads	<u>(17,937,861 )</u>	<u>( 2,504,755 )</u>	<u>181,441</u>	<u>(20,261,175 )</u>
Total	<u>(27,739,585 )</u>	<u>( 3,109,253 )</u>	<u>( 2,761 )</u>	<u>(30,851,599 )</u>
Net capital assets being depreciated	<u>40,686,531</u>	<u>1,839,040</u>	<u>( 157,175 )</u>	<u>42,368,396</u>
Total Net Capital Assets	<u>\$ 61,164,983</u>	<u>\$ 2,629,325</u>	<u>\$( 157,175 )</u>	<u>\$ 63,637,133</u>

	<u>Balance Oct. 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance Sept. 30, 2007</u>
Component Unit - Central Michigan District Health Department				
Capital assets, being depreciated:				
Buildings	\$ 2,621,266	\$ -	\$ -	\$ 2,621,266
Equipment	187,383	-	-	187,383
Vehicles	<u>5,710</u>	<u>-</u>	<u>-</u>	<u>5,710</u>
Subtotal	2,814,359	-0-	-0-	2,814,359
Less accumulated depreciation for:				
Buildings	( 1,476,460 )	( 147,646 )	-	( 1,624,106 )
Equipment	( 183,783 )	( 1,200 )	-	( 184,983 )
Buses	<u>( 5,710 )</u>	<u>( - )</u>	<u>-</u>	<u>( 5,710 )</u>
Subtotal	<u>( 1,665,953 )</u>	<u>( 148,846 )</u>	<u>-0-</u>	<u>( 1,814,799 )</u>
Total capital assets being depreciated, net	<u>\$ 1,148,406</u>	<u>\$( 148,846 )</u>	<u>\$ -0-</u>	<u>\$ 999,560</u>

Isabella County, Michigan

NOTES TO FINANCIAL STATEMENTS

September 30, 2007

**NOTE F: CAPITAL ASSETS - CONCLUDED**

**Discretely Presented Component Units - concluded**

	Balance Oct. 1, 2006	Additions	Deletions	Balance Sept. 30, 2007
Component Unit - Transportation Commission				
Capital assets, not being depreciated:				
Land	\$ 54,004	\$ -0-	\$ -0-	\$ 54,004
Capital assets, being depreciated:				
Buildings	2,784,633	-	-	2,784,633
Equipment	982,141	221,464	( 52,712 )	1,150,893
Buses	<u>3,462,405</u>	<u>375,986</u>	<u>( 260,150 )</u>	<u>3,578,241</u>
Subtotal	7,229,179	597,450	( 312,862 )	7,513,767
Less accumulated depreciation for:				
Buildings	( 774,511 )	( 139,232 )	-	( 913,743 )
Equipment	( 706,754 )	( 135,044 )	52,199	( 789,599 )
Buses	<u>( 1,840,772 )</u>	<u>( 335,997 )</u>	<u>260,149</u>	<u>( 1,916,620 )</u>
Subtotal	<u>( 3,322,037 )</u>	<u>( 610,273 )</u>	<u>312,348</u>	<u>( 3,619,962 )</u>
Total capital assets being depreciated, net	<u>3,907,142</u>	<u>( 12,823 )</u>	<u>( 514 )</u>	<u>3,893,805</u>
Transportation Commission capital assets, net	<u>\$ 3,961,146</u>	<u>\$( 12,823 )</u>	<u>\$( 514 )</u>	<u>\$ 3,947,809</u>

**NOTE G: LONG-TERM DEBT**

The following is a summary of changes in long-term debt (including current portions) of the County for the year ended September 30, 2007:

**PRIMARY GOVERNMENT**

	Balance Oct. 1, 2006	Additions	Deletions	Balance Sept. 30, 2007	Amounts Due Within One Year
Governmental Activities					
1996 Building Authority Bonds - District Health	\$ 1,350,000	\$ -	\$( 105,000 )	\$ 1,245,000	\$ 110,000
1998 Building Authority Bonds - State Police	915,000	-	( 50,000 )	865,000	55,000
1999 Building Authority Bonds - Court Facility	3,200,000	-	( 175,000 )	3,025,000	175,000
Capital Lease-Copiers	29,685	-	( 29,685 )	-0-	-
Postclosure landfill costs	1,077,585	-	( 69,388 )	1,008,197	65,464
Accumulated compensated absences	<u>819,275</u>	<u>811,145</u>	<u>( 800,546 )</u>	<u>829,874</u>	<u>331,949</u>
Total Governmental Activities	7,391,545	811,145	( 1,229,619 )	6,973,071	737,413

Isabella County, Michigan

NOTES TO FINANCIAL STATEMENTS

September 30, 2007

**NOTE G: LONG-TERM DEBT - CONTINUED**

**PRIMARY GOVERNMENT - CONCLUDED**

	Balance Oct. 1, 2006	Additions	Deletions	Balance Sept. 30, 2007	Amounts Due Within One Year
Business-type Activities					
Building Authority Bond	\$ 7,190,000	\$ -	\$ ( 300,000 )	\$ 6,890,000	\$ 315,000
Capital Lease	1,220	-	( 1,220 )	-0-	-
Less deferred issuance discount	( 55,718 )	-	3,482	( 52,236 )	-
Accumulated compensated absences	<u>381,346</u>	<u>367,958</u>	<u>( 335,244 )</u>	<u>414,060</u>	<u>29,774</u>
Total Business Type Activities	<u>7,516,848</u>	<u>367,958</u>	<u>( 632,982 )</u>	<u>7,251,824</u>	<u>344,774</u>
TOTAL PRIMARY GOVERNMENT	<u>\$14,908,393</u>	<u>\$ 1,179,103</u>	<u>\$(1,862,601)</u>	<u>\$14,224,895</u>	<u>\$ 1,082,187</u>

**COMPONENT UNITS**

	Balance Oct. 1, 2006	Additions	Deletions	Balance Sept. 30, 2007	Amounts Due Within One Year
Road Commission					
Note Payable	\$ 177,807	\$ 169,850	\$ ( 184,435 )	\$ 163,222	\$ 15,128
Michigan Department of Transportation Bond	575,000	-	( 175,000 )	400,000	200,000
Accumulated sick and vacation	<u>192,709</u>	<u>13,414</u>	<u>-</u>	<u>206,123</u>	<u>-</u>
	945,516	183,264	( 359,435 )	769,345	215,128
Board of Public Works					
1998 City of Clare water and sewer improvement bonds	340,000	-	( 45,000 )	295,000	-
1999 Shepherd sanitary sewer/storm water separation	1,540,000	-	( 190,000 )	1,350,000	190,000
2001 Union Township wastewater project refunding bonds	<u>7,250,000</u>	<u>-</u>	<u>( 385,000 )</u>	<u>6,865,000</u>	<u>-</u>
	9,130,000	-0-	( 620,000 )	8,510,000	190,000
Drainage Districts					
Drain notes					
Hutchinson #350	96,000	-	( 32,000 )	64,000	32,000
Potter and Brodie #522	300,000	-	( 42,858 )	257,142	42,858
Paisley #506	25,000	-	( 25,000 )	-0-	-
Wagner #627	150,000	-	( 30,000 )	120,000	30,000
Bellinck #220	25,121	-	-	25,121	25,121
Recker #530	430,000	-	( 75,000 )	355,000	75,000
Fitzgerald #313	-	175,000	( 151,974 )	23,026	23,026
Saunders #550	-	642,000	-	642,000	53,500
Childs Creek Dubois	<u>-</u>	<u>470,000</u>	<u>-</u>	<u>470,000</u>	<u>47,000</u>
Subtotal	1,026,121	1,287,000	( 356,832 )	1,956,289	328,505

Isabella County, Michigan  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2007

**NOTE G: LONG-TERM DEBT - CONTINUED**

**COMPONENT UNITS - CONCLUDED**

	Balance Oct. 1, 2006	Additions	Deletions	Balance Sept. 30, 2007	Amounts Due Within One Year
Drainage Districts - concluded					
Drain bonds					
Little salt intercounty drain bonds	\$ 310,050	\$ -	\$( 29,250 )	\$ 280,800	\$ 29,250
Paisley drain bonds	560,000	-	( 56,000 )	504,000	56,000
2001 Hance main branches	700,000	-	( 100,000 )	600,000	95,000
2002 Salt River drain	675,000	-	( 100,000 )	575,000	105,000
Subtotal	2,245,050	-0-	( 285,250 )	1,959,800	285,250
Total Drainage Districts	3,271,171	1,287,000	( 642,082 )	3,916,089	613,755
Central Michigan District					
Health Department					
Capital leases payable	1,522,508	-	( 168,752 )	1,353,756	177,500
Accumulated compensated absences	580,486	416,234	( 408,579 )	588,141	299,952
	2,102,994	416,234	( 577,331 )	1,941,897	477,452
Transportation Commission					
Infrastructure Loan	489,348	-	( 99,938 )	389,410	101,631
TOTAL COMPONENT UNITS	15,939,029	1,886,498	( 2,298,786 )	15,526,741	1,597,966
TOTAL REPORTING ENTITY	\$30,847,422	\$ 3,065,601	\$( 4,161,387 )	\$29,751,636	\$ 2,680,153

**PRIMARY GOVERNMENT**

**General Long-Term Debt Bonds**

Bonds payable at September 30, 2007, is as follows:

\$2,135,000 1996 Building Authority Bonds dated May 1, 1996, due in annual principal installments ranging from \$110,000 to \$170,000 through May 1, 2016, with interest ranging from 5.30 to 5.625 percent, payable semi-annually.	\$ 1,245,000
\$1,200,000 1998 Building Authority Bonds dated May 18, 1998, due in annual principal installments ranging from \$55,000 to \$95,000 through January 1, 2019, with interest ranging from 4.65 to 5.00 percent, payable semi-annually.	865,000
\$4,050,000 1999 Building Authority Bonds dated July 1, 1999, due in annual principal installments ranging from \$175,000 to \$275,000 through November 1, 2019, with interest ranging from 4.65 to 5.25 percent, payable semi-annually.	3,025,000
	<u>\$ 5,135,000</u>

Isabella County, Michigan

NOTES TO FINANCIAL STATEMENTS

September 30, 2007

**NOTE G: LONG-TERM DEBT - CONTINUED**

**PRIMARY GOVERNMENT - CONCLUDED**

Postclosure Landfill Costs

The County owns a solid waste landfill located in Deerfield Township, Isabella County, Michigan. The County stopped accepting waste at this site on June 15, 1987, and completed the capping off of the site on July 21, 1989. See Note H for full details. The landfill postclosure liability is:

\$ 1,008,197

Compensated Absences

In accordance with County personnel policies and/or contracts negotiated with various employee groups of the County, individual employees have vested rights upon termination of employment to receive payment for unused vacation and sick leave under formulas and conditions specified in their respective personnel policies and/or contracts. The dollar amount of these vested rights, including related payroll taxes, amounted to \$829,874 for governmental activities and \$414,060 for business-type activities for vacation and sick at September 30, 2007. Of these amounts, \$331,949 and \$29,774 have been recorded as current liabilities, and \$497,925 and 384,286 have been recorded as noncurrent liabilities respectively.

Medical Care Facility - General Obligation Bonds - Business-type Activities

\$8,000,000 Building Authority - Medical Care Facility Bonds, dated December 15, 2002, due in annual principal installments ranging from \$315,000 to \$635,000 through May 1, 2022, with interest ranging from 3.00 to 4.60 percent semi-annually.

\$ 6,837,764

**COMPONENT UNIT - ROAD COMMISSION**

General Obligation Bonds

Note payable dated in 2007, due in principal installments of \$1,974 through 2011, with interest of 5.475 percent, payable monthly.

\$ 163,222

\$1,725,000 Michigan Department of Transportation Bond, date May 26, 1999, due in annual principal installments of \$200,000 through May 1, 2009, with interest of 4.70 percent payable annually.

400,000

\$ 563,222

**COMPONENT UNIT - BOARD OF PUBLIC WORKS**

Water Supply and Sewage Disposal System Bonds

\$700,000 City of Clare Water and Sewer System Improvement Bonds dated April 1, 1998, due in annual principal installments ranging from \$50,000 to \$65,000 through October 1, 2012, with interest ranging from 4.80 to 5.10 percent, payable semi-annually.

\$ 295,000

\$2,460,000 Shepherd Sanitary Sewer/Storm Water Separation Bonds dated April 1, 1999, due in annual principal installments ranging from \$190,000 to \$210,000 through March 1, 2014, with interest ranging from 4.20 to 4.60 percent, payable semi-annually.

1,350,000

\$7,605,000 Union Township Wastewater Treatment Refunding Bonds dated July 1, 2001, due in annual principal installments ranging from \$385,000 to \$640,000 through October 1, 2021 with interest ranging from 4.40 to 5.10 percent, payable semi-annually.

6,865,000

\$ 8,510,000



Isabella County, Michigan  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2007

**NOTE G: LONG-TERM DEBT - CONTINUED**

**COMPONENT UNIT - DRAINAGE DISTRICTS**

**Drain Notes**

\$160,000 Hutchinson Reconstruction Drain Note dated March 15, 2004, due in annual principal installments of \$32,000 through May 1, 2009, with interest of 3.95 percent, payable annually.	\$ 64,000
\$300,000 Potter and Brodie Tile Drain Note dated June 15, 2006, due in annual principal installments of \$42,858 through May 1, 2013, with interest of 4.90 percent, payable annually.	257,142
\$300,000 Wagner Drain Note dated August 15, 2001, due in annual principal installments of \$30,000 through May 1, 2011, with interest of 4.95 percent, payable annually.	120,000
\$25,121 Bellinck Drain Note dated October 20, 2006, due one installment of \$25,121 on October 19, 2007, with interest of 4.76 percent.	25,121
\$730,000 Recker Drain Note dated July 15, 2002, due in annual installments ranging from \$70,000 to \$75,000 through July 15, 2012, with interest of 3.783 percent, payable annually.	355,000
\$175,000 Fitzgerald Tile Branch Drain Note dated July 25, 2007, due in annual installments of \$35,000 through June 1, 2012, with interest of 4.30 percent, payable annually.	23,026
\$642,000 Saunders Drain Note dated June 22, 2007, due in annual installments of \$53,500 through June 1, 2019, with interest ranging from 4.2747 to 4.525 percent, payable annually.	642,000
\$470,000 Childs Creek Dubois Drain Note dated August 15, 2007, due in annual installments of \$47,000 through June 1, 2017, with interest of 4.37 percent, payable annually.	<u>470,000</u>
	<u>\$ 1,956,289</u>

**Drain Bonds**

\$310,050 Little Salt Intercounty Drain Bonds dated July 21, 2006, due in annual principal installments ranging from \$29,250 to \$34,125 through June 1, 2016, with interest of 6.40 percent, payable semi-annually.	\$ 280,800
\$560,000 Paisley Drain Bonds dated August 7, 2006, due in annual principal installments of \$56,000 through July 1, 2016, with interest of 4.70 percent, payable annually.	504,000
\$1,260,000 Hance Main Branches Drain Bonds dated July 24, 2001 due in annual principal installments ranging from \$70,000 to \$95,000 through May 1, 2014, with interest ranging from 4.10 to 4.70 percent, payable semi-annually.	600,000
\$1,075,000 Salt River Drain Bond dated June 27, 2002 due in annual principal installments ranging from \$105,000 to \$125,000 through April 1, 2012, with interest ranging from 3.50 to 4.10 percent, payable semi-annually.	<u>575,000</u>
	<u>\$ 1,959,800</u>

Isabella County, Michigan

NOTES TO FINANCIAL STATEMENTS

September 30, 2007

**NOTE G: LONG-TERM DEBT - CONTINUED**

**COMPONENT UNIT - CENTRAL MICHIGAN DISTRICT HEALTH DEPARTMENT**

Capital Leases

The Central Michigan District Health Department leases buildings under capital leases. The economic substance of the leases is that the Department is financing the acquisition of the assets through the leases. These capital leases have been recorded at the present value of the future minimum lease payments as of the date of their inception. These leases qualify as capital leases for accounting purposes because substantially all of the benefits and risks inherent in the ownership of the property rests with the Department. The following are additional details regarding the lease.

\$995,000 Roscommon County building capital lease payable dated December 1, 1996, due in monthly installments of \$6,269 including interest payment through September 1, 2011 with interest of 6.00 percent.	\$ 420,000
\$2,135,000 Isabella County building capital lease payable dated May 1, 1996, due in annual installments ranging from \$110,000 to \$170,000 through May 1, 2016 with interest ranging from 5.300 to 5.625 percent, payable semi-annually.	<u>933,756</u>
	<u>\$ 1,353,756</u>

**COMPONENT UNIT - ISABELLA COUNTY TRANSPORTATION COMMISSION**

Note Payable

\$1,100,000 MDOT State Infrastructure Bank Loan dated April 18, 2000, due in annual installments of \$75,047 to \$117,207 through April 18, 2011, with interest of 4.00 percent, payable annually.	<u>\$ 389,410</u>
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The annual requirements to pay the debt principal and interest outstanding for the above Bonds and Notes are as follows:

Year Ending September 30,	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 340,000	\$ 260,686	\$ 315,000	\$ 286,610
2009	370,000	243,466	335,000	276,373
2010	385,000	224,924	350,000	264,647
2011	390,000	205,339	370,000	251,522
2012	400,000	184,981	385,000	237,185
2013-2017	2,240,000	570,600	2,255,000	840,058
2018-2022	<u>1,010,000</u>	<u>74,344</u>	<u>2,880,000</u>	<u>406,795</u>
	<u>\$ 5,135,000</u>	<u>\$ 1,764,340</u>	<u>\$ 6,890,000</u>	<u>\$ 2,563,190</u>

Isabella County, Michigan

NOTES TO FINANCIAL STATEMENTS

September 30, 2007

**NOTE G: LONG-TERM DEBT - CONCLUDED**

Year Ending Sept. 30,	Component Units					
	Road Commission		Board of Public Works Water and Sewer Bonds		Drainage Districts Drain Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2008	\$ 215,128	\$ 27,260	\$ 190,000	\$ 55,355	\$ 285,250	\$ 81,423
2009	215,977	17,111	640,000	379,726	290,250	70,013
2010	16,874	6,814	660,000	350,673	290,250	58,243
2011	115,243	4,493	680,000	320,111	290,250	46,187
2012	-	-	695,000	288,461	295,250	33,779
2013-2017	-	-	2,985,000	987,802	508,550	45,372
2018-2022	-	-	2,655,000	303,019	-	-
	<u>\$ 563,222</u>	<u>\$ 55,678</u>	<u>\$ 8,505,000</u>	<u>\$ 2,685,147</u>	<u>\$ 1,959,800</u>	<u>\$ 335,017</u>
Year Ending Sept. 30,	Drainage District Notes Payable		Central Michigan District Health Department		Transportation Commission	
	Principal	Interest	Principal	Interest	Principal	Interest
	Principal	Interest	Principal	Interest	Principal	Interest
2008	\$ 328,505	\$ 80,336	\$ 177,500	\$ 84,642	\$ 101,631	\$ 15,576
2009	275,358	72,070	186,252	72,740	105,696	11,511
2010	243,358	60,071	203,752	60,427	109,924	7,283
2011	243,358	49,334	212,500	48,907	72,159	2,887
2012	213,358	38,642	101,252	36,654	-	-
2013-2017	545,352	93,471	472,500	77,109	-	-
2018-2022	107,000	7,263	-	-	-	-
	<u>\$ 1,956,289</u>	<u>\$ 401,187</u>	<u>\$ 1,353,756</u>	<u>\$ 380,479</u>	<u>\$ 389,410</u>	<u>\$ 37,257</u>

**NOTE H: POSTCLOSURE LANDFILL COSTS**

The County owns a solid waste landfill located in Deerfield Township, Isabella County, Michigan. The County stopped accepting waste at this site on June 15, 1987, and completed the capping off of the site on July 21, 1989.

Since that time, postclosure monitoring of the site by the County and the Michigan Department of Natural Resources has identified ground water contamination in excess of state and federal laws and regulations. A Consent Judgment, initiated by the State Attorney General and Michigan Department of Natural Resources and its director established the requirements the County had to meet to bring the County back into compliance.

As part of this consent judgment, the County had to implement their remedial action plan previously submitted and approved by the Michigan Department of Natural Resources. The remedial action plan called for the construction of purge wells and piping as well as, construction of an air stripping facility which was completed during 1996. Air stripping involves the mass transfer of the contaminants from solution to a gas, thereby removing the contaminants from the groundwater. This is accomplished by pumping water through a packed column which has a counter current flow of air.

The County is required to perform certain maintenance and monitoring functions as stipulated in the consent judgment for a minimum of thirty years from October 23, 1992, the date of DNR approval of the County remedial action plan. It is anticipated that the purge wells and air stripping facility will have to be operated over this thirty year period.

Isabella County, Michigan  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2007

**NOTE H: POSTCLOSURE LANDFILL COSTS - CONCLUDED**

For the year ended September 30, 2007, the County incurred postclosure care expenditures of \$69,388.

The landfill postclosure care liability as reported in Long-Term Debt at September 30, 2007, is \$1,008,197.

All amounts recognized are based on the estimated cost to perform postclosure care at September 30, 2007. Actual costs may be higher due to inflation, changes in technology or applicable laws and regulations. The amount recognized is based on estimates developed by solid waste management engineering consultants used by the County to develop the County remedial action plan. These estimates are considered sufficient and reasonable by Management. The postclosure care costs are to be budgeted within the General Fund on an annual basis.

**NOTE I: EMPLOYEE RETIREMENT SYSTEM**

**PRIMARY GOVERNMENT**

**Defined Benefit Pension Plan**

**Plan Description**

The County participates in the Michigan Municipal Employees Retirement System, an agent multiple-employer defined benefit pension plan that covers all eligible full-time employees of the County. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. The Michigan Municipal Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the System at 1134 Municipal Way, Lansing, Michigan 48917.

**Funding Policy**

The County is required to contribute at an actuarially determined rate. County employees are not required to make contributions to the plan. The contribution requirements of plan members and the County are established and may be amended by the Board of Commissioners, depending on the MERS contribution program adopted by the County.

**Annual Pension Cost**

For year ended September 30, 2007 the County's annual pension cost of \$985,048 for the plan was equal to the County's required and actual contribution. The estimated annual required contribution was determined as part of an actuarial valuation at December 31, 2004, using the entry age normal cost method. Actual required contributions are based on actual reported monthly payroll. Significant actuarial assumptions used include (a) an 8.00 percent investment rate of return (b) projected salary increases of 4.5 percent per year compounded annually, attributable to inflation (c) additional salary increases ranging from 0% to 8.4% per year depending on age, seniority and merit, and (d) assumption benefits will not increase after retirement. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four (4) year period. The unfunded actuarial liability is being amortized as a level percentage of payroll over a period of thirty years on an open basis.

Isabella County, Michigan

NOTES TO FINANCIAL STATEMENTS

September 30, 2007

**NOTE I: EMPLOYEE RETIREMENT SYSTEM - CONCLUDED**

Three (3) year trend information

	Year Ended December 31,		
	<u>2004</u>	<u>2005</u>	<u>2006</u>
Actuarial value of assets	\$22,867,066	\$24,476,073	\$26,542,084
Actuarial accrued liability (AAL) (entry age)	30,345,949	31,693,331	34,141,767
Unfunded AAL	7,478,883	7,217,258	7,599,683
Funded ratio	75%	77%	78%
Covered payroll	9,498,577	9,013,614	9,310,653
UAAL as a percentage of covered payroll	79%	80%	82%

	Year Ended September 30,		
	<u>2005</u>	<u>2006</u>	<u>2007</u>
Annual pension cost	\$ 904,698	\$ 880,037	\$ 985,048
Percentage of APC contributed	100%	100%	100%
Net pension obligation	-	-	-

This trend information was obtained from the most recently issued actuarial reports.

Defined Contribution Pension Plan

The Isabella County Employees Defined Contribution Pension Plan (the "Plan") is a single employer defined contribution pension plan, established by the County and administered by an outside third-party administrator. All County employees hired after July 2000, with the exception of certain bargaining units, are required to participate in the Plan. As the union contracts of the non-participating bargaining units are renegotiated, new employees of these units are added to the Plan. All other County employees that are not vested in the County's Defined Benefit Plan have the option of becoming a participant in the Defined Contribution Plan. Employees vest in the County's contributions completely after five years.

As September 30, 2007, there were 42 plan members. Plan members are required to contribute 2% of their annual salary to the Plan. The County is required to contribute 7% of the employees' annual salary. The contribution requirements of plan members and the County are established and may be amended by the Board of Commissioners.

Employer contributions to the Plan for the year ended September 30, 2007 amounted to \$101,990 and employee contributions were \$30,914.

A stand-alone pension plan report has not been issued for the defined contribution plan.

**COMPONENT UNITS**

The Isabella County Road Commission, Isabella County Transportation Commission, and Central Michigan District Health Department have separate retirement plans. Separate accounts are maintained by MERS for each of the component units identified above. Details applicable to the Road Commission, Transportation Commission, and District Health Department pension plans are available in their separately issued financial statements. The actuarially determined contribution requirements have been met.

Isabella County, Michigan

NOTES TO FINANCIAL STATEMENTS

September 30, 2007

**NOTE J: RISK MANAGEMENT**

**PRIMARY GOVERNMENT**

The County previously participated in a public entity risk pool administered by the Michigan Municipal Risk Management Authority. The purpose of the Authority is to administer a risk management fund, which provides members with loss protection for general and auto liability, motor vehicle physical damage, and property. Effective January 1, 2007 the County ceased participation with the Authority in favor of purchasing commercial insurance against these losses.

The County is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The County carries commercial insurance for the risks of loss, including worker's compensation, property and casualty loss, and general liability. Settlements have not exceeded insurance coverage in any of the past three years.

**Employee Health Benefits**

The County has established an employee health benefits Self-Insurance Plan which is accounted for in an Internal Service Fund. Employee groups of the primary government, including the Medical Care Facility as a separate unit, participate in the Self-Insurance Plan. The Plan is administered under contractual agreement with Blue Cross and Blue Shield of Michigan (BCBSM) as third-party administrator.

Under the co-insurance agreement provided by Blue Cross and Blue Shield of Michigan, the County is responsible for claims for major medical expenses up to an agreed-upon ceiling, but is insured against further loss by BCBSM. In order to provide for the co-insurance, the County pays a "stop-loss" premium.

Certain benefits (e.g., dental and prescription drug) are not covered by the co-insurance policy, but are covered by supplemental policies funded by the Plan. Prior to 1997, the Fund was insured against losses greater than \$100,000 per occurrence. There is no coverage for aggregate losses under the current agreement. In the current year, the stop-loss coverage was reduced to \$40,000 per occurrence. The co-insurance arrangements will be renegotiated annually with Blue Cross and Blue Shield of Michigan.

The Self-Insurance Fund is responsible for collecting interfund premiums from the participating funds and departments and for paying claim settlements, administrative fees, and "stop-loss" co-insurance premiums.

Interfund premiums are treated as quasi-external transactions, meaning that interfund premiums are recognized as expenditures or expenses in the contributing funds and interfund revenue is recognized in the Self-Insurance Fund as earned.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include a provision for claims that have been incurred but not reported (IBNR's). The provision is based upon historical trends. Claims liabilities are estimated based on actual claims filed subsequent to year end.

Changes in the balance of claim liabilities during the current year and the prior year are as follows:

	<u>2006</u>	<u>2007</u>
Unpaid Claims, beginning of year	\$ 65,000	\$ 65,000
Incurred Claims, (including IBNR)	2,727,745	2,310,587
Claims Paid	( 2,727,745 )	( 2,310,587 )
Unpaid Claims	<u>\$ 65,000</u>	<u>\$ 65,000</u>

Isabella County, Michigan

NOTES TO FINANCIAL STATEMENTS

September 30, 2007

**NOTE J: RISK MANAGEMENT - CONCLUDED**

COMPONENT UNITS

Transportation Commission

The Commission carries commercial insurance for the risk of loss due to workers' compensation claims.

The Commission is a member of the Michigan Transit Liability Trust Fund ("Pool") established pursuant to an Intergovernmental Agreement entered into by the member Transit Agencies and Authorities. This Pool was established for the purpose of making a self-insurance pooling program available for Michigan Transit Agencies and Authorities, which includes, but is not limited to, bodily injury liability, property damage liability, and personal injury liability related to vehicle operation of the Commission.

The Commission pays an annual premium to the Pool for this coverage. The agreement for the formation of the Pool provides that the Pool will be self-sustaining through member premiums. Annually, the Commission receives notification from the Pool of retrospective claims adjustments based on the actual claims experience of the Commission and other members of the Pool. These retrospective claims adjustments, determined by the Pool, are accrued annually by the Commission upon notification.

The Commission also participates in a pool, the Michigan Municipal Risk Management Authority, with other municipalities for property and casualty losses. The pool is organized under Public Act 138 of 1982, as amended as a governmental group property and casualty self insurance pool. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The Commission has not been informed of any special assessments being required.

Road Commission

The Road Commission joined together with other Road Commissions and created a public entity risk pool currently operating as a common risk management and insurance program. The Road Commission pays an annual premium to the pool for its general insurance coverage. The agreement provides that the pool will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$1,000 for each insured event. The pooling agreement allows for the pool to make additional assessments to make the pool self-sustaining. The Road Commission is unable to provide an estimate of the amounts of additional assessments.

**NOTE K: EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

PRIMARY GOVERNMENT

In the budgetary comparison schedules and other supplementary information section, the County's budgeted expenditures in the General Fund and Special Revenue Funds have been shown at the functional classification (department) level. The approved budgets of the County have been adopted at the department level for the General Fund and the fund level for Special Revenue Funds.

During the year ended September 30, 2007, the County incurred expenditures in the General Fund and eleven (11) Special Revenue Funds in excess of the amounts appropriated as follows:

	<u>Amounts Appropriated</u>	<u>Amounts Expended</u>	<u>Variance</u>
General Fund			
General government			
Elections	\$ 32,032	\$ 32,465	\$ 433
Human resources	47,800	60,263	12,463
Public defender	390,050	433,960	43,910

Isabella County, Michigan  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2007

**NOTE K: EXCESS OF EXPENDITURES OVER APPROPRIATIONS - CONCLUDED**

**PRIMARY GOVERNMENT - CONCLUDED**

	<u>Amounts Appropriated</u>	<u>Amounts Expended</u>	<u>Variance</u>
General Fund - concluded			
General government - concluded			
Remonumentation	\$ 50,217	\$ 97,721	\$ 47,504
Building authority	271,605	274,841	3,236
Circuit Court probation	-	2,590	2,590
Trial Court	2,605,688	2,615,129	9,441
Juvenile Drug Court	-	17,682	17,682
Family Court	-	3,539	3,539
Public Safety			
Marine safety	15,297	15,320	23
Corrections	2,156,539	2,228,914	72,375
Traffic enforcement	35,000	43,349	8,349
Youth grant	16,092	17,875	1,783
Public Works			
Road graveling	-	163,949	163,949
Health and welfare			
Medical examiner	95,500	100,970	5,470
Community economic and development			
Ag Preservation Board	-	6,944	6,944
Other			
Other	162,000	173,783	11,783
Tribal Contribution Fund	-	1,179,021	1,179,021
Revenue Sharing Reserve	-	1,149,581	1,149,581
Child Care Fund	2,426,817	2,441,847	15,030
Drug Law Enforcement Activities	3,750	12,851	9,101
Community Alternatives	56,330	59,538	3,208
Public Act 511	201,910	229,188	27,278
Local Corrections Officers Training	-	33,056	33,056
County Law Library	9,500	13,347	3,847
CDBG Housing Assistance Grant	161,623	165,649	4,026
Commission on Aging Activities	2,252,781	2,269,989	17,208
Department of Human Services	-	118,016	118,016

**NOTE L: FUND BALANCE RESERVES AND DESIGNATIONS**

Reserved fund balance is used to earmark a portion of fund balance to indicate that it is not appropriate for expenditure or has been legally segregated for a specific future use. Designated fund balance indicates that portion of fund balance or net assets which the County has set aside for specific purposes. These reserves and designations are recorded at the fund level to indicate management plans for these funds.

The following are the various fund balance reserves as of September 30, 2007:

**PRIMARY GOVERNMENT**

General Fund

  Reserved for inventories

  Reserved for prepaids

\$ 17,189  
57,909

75,098



Isabella County, Michigan

NOTES TO FINANCIAL STATEMENTS

September 30, 2007

**NOTE L: FUND BALANCE RESERVES AND DESIGNATIONS - CONCLUDED**

PRIMARY GOVERNMENT - CONCLUDED

Child Care Fund

Reserved for prepaids	\$ 49,330
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Nonmajor governmental funds

Reserved for donations for special projects	45,181
Reserved for inventories	11,361
Reserved for prepaids	3,285
Reserved for capital projects	47,448
Reserved for equipment replacement	<u>191,253</u>

298,528

\$ 422,956

The following are the various fund balance designations as of September 30, 2007:

PRIMARY GOVERNMENT

General Fund

Designated for	
Working capital	\$ 1,000,000
Vested benefits	594,414
Capital projects and maintenance	30,066
Animal control	40,576
Telecommunications project	3,063
Insurance liability claims	<u>182,657</u>

\$ 1,850,776

**NOTE M: PROPERTY TAXES AND TAXES RECEIVABLE**

The County property tax is levied each December 1 and July 1 on the taxable valuation of property located in the County as of the preceding December 31.

Beginning with the 2004 tax levy, the state has mandated the creation of a Revenue Sharing Reserve Fund into which one-third of the County's 2004 to 2006 ad valorem operating tax was recognized. The purpose of the fund is to accumulate reserves of the County's own local funds from which an amount similar to Revenue Sharing payments, formerly made by the State, will be made back to the General Fund. As a part of this process, the County's tax levy has shifted over the last three years from winter to summer.

The County's Winter 2006 and Summer 2007 ad valorem taxes were levied and collectible on December 1, 2006, and July 1, 2007, respectively. It is the County's policy to recognize revenues from the tax levy in the year when the proceeds of the levy are budgeted and made available for the financing of County operations. As a result, the County's Winter 2006 and Summer 2007 tax levies have been recognized as revenue in the current fiscal year. The 2006 taxable value of Isabella County amounted to \$1,409,975,482 on which ad valorem taxes levied for County general operating purposes was 2.0828 mills for Winter 2006. The 2007 taxable value of Isabella County amounted to \$1,529,082,641 on which ad valorem taxes levied for the County general operating purposes was 6.4700 mills for Summer 2007. For the year ended September 30, 2007, the County levied 0.8800 mills for Senior Services, 0.9000 mills for the Medical Care Facilities. The Isabella County Transportation Commission levied 0.9000 mills for transportation services.

Isabella County, Michigan  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2007

**NOTE N: FEDERAL FINANCIAL ASSISTANCE**

**COMPONENT UNIT - ROAD COMMISSION**

It is required by the Michigan Department of Transportation that Road Commissioners report total federal financial assistance for Highway Research, Planning and construction pertaining to their County. During the year ended September 30, 2007 the federal aid received and expended by the Road Commission was \$1,273,538 for contracted projects.

**NOTE O: RESTRICTED NET ASSETS**

Restrictions of net assets shown in the government-wide financial statements indicate that restrictions imposed by the funding source or some other outside source which precludes their use for unrestricted purposes. The following are the various net asset restrictions as of September 30, 2007:

**PRIMARY GOVERNMENT**

Governmental Activities

Restricted for

Donations for special projects	\$ 45,081
Capital projects	47,448
Equipment replacement	<u>191,253</u>

\$ 283,882

Business-type Activities

Restricted for

Equipment replacement	\$ 521,138
Expendable	55,226
Nonexpendable	<u>3,254,412</u>

\$ 3,830,776

**COMPONENT UNITS**

Restricted for

Road Commission

County roads	<u>\$ 2,432,756</u>
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Drainage Districts

Debt service	<u>\$ 916,131</u>
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**NOTE P: SUBSEQUENT EVENT**

On November 1, 2007, the County issued Building Authority Bonds. The bonds, issued in the amount of \$3,500,000, are for the purpose of constructing a building for the Commission on Aging Senior Center.

**NOTE Q: FUND DEFICIT**

The following fund had a fund deficit at September 30, 2007:

Public Act 511

\$ 28,106

## **REQUIRED SUPPLEMENTARY INFORMATION**

Isabella County, Michigan

BUDGETARY COMPARISON SCHEDULES

Fund Descriptions

**GENERAL FUND**

The General Fund is used to account for all financial transactions not properly accounted for in another fund. The transactions relating to the general governmental activities of the County, which are financed by property tax levies, by distribution of State revenues, and by revenue from various activities and services, are recorded in this fund. The majority of current operating expenditures of the County, other than proprietary fund activities, are financed through revenue received by the General Fund.

**TRIBAL CONTRIBUTION FUND**

The Tribal Contribution Fund is used to account for funding provided by the Saginaw Chippewa Tribe, and the related uses of those funds.

**REVENUE SHARING RESERVE FUND**

The Revenue Sharing Reserve Fund is used to account for the shift of State Revenue Sharing dollars from State to Local funding as required by Public Act 357 of 2004.

**CHILD CARE FUND**

The Child Care Fund accounts for grant funds and County appropriations received for the purpose of providing child care services.

For all budgetary comparison schedules, Generally Accepted Accounting Principles serve as the basis for budgeting.

Isabella County, Michigan

General Fund

BUDGETARY COMPARISON SCHEDULE - REVENUES AND  
OTHER FINANCING SOURCES

Year Ended September 30, 2007

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes				
Current and delinquent property taxes	\$ 10,755,000	\$ 10,755,000	\$ 11,805,219	\$ 1,050,219
Payments in lieu of taxes	97,750	97,750	91,144	(6,606)
Mobile home park taxes	5,600	5,600	5,276	(324)
Administrative fees	5,000	5,000	8,296	3,296
Total taxes	10,863,350	10,863,350	11,909,935	1,046,585
Licenses and permits				
Dog licenses	47,500	47,500	48,294	794
Marriage license fees	15,200	15,200	11,554	(3,646)
Soil and erosion permits	11,000	11,000	24,013	13,013
Zoning permits	2,250	2,250	8,687	6,437
Other permits	25	25	1,855	1,830
Total licenses and permits	75,975	75,975	94,403	18,428
Intergovernmental - Federal/State				
Homeland security	19,500	19,500	21,993	2,493
B.A.Y.A.N.E.T.	34,000	34,000	34,390	390
Michigan justice training	6,000	6,000	6,430	430
Remonumentation	50,967	50,967	82,905	31,938
Youth grant	15,000	15,000	30,731	15,731
SCOA grant	66,500	66,500	94,555	28,055
Secondary road patrol	107,916	107,916	58,744	(49,172)
Prosecutor - CRP	52,891	52,891	40,788	(12,103)
Friend of the court incentive	65,500	65,500	136,088	70,588
Caseflow assistance grant	23,500	23,500	30,499	6,999
Victims' Rights	53,800	53,800	53,800	-0-
Probate court judge salary	188,500	188,500	214,491	25,991
Judges salary standardization	92,000	92,000	70,646	(21,354)
Court equity	325,000	325,000	345,837	20,837
Traffic enforcement	35,000	35,000	34,972	(28)
Convention facility tax	377,407	377,407	363,688	(13,719)
Juvenile officer grant	27,500	27,500	27,317	(183)
Cigarette tax	35,379	35,379	30,573	(4,806)
Liquor licenses	9,000	9,000	8,936	(64)
Marine safety grant	10,250	10,250	9,393	(857)
Drug case information grant	-	-	1,468	1,468
Other	2,000	2,000	23,782	21,782
Total intergovernmental - Federal/State	1,597,610	1,597,610	1,722,026	124,416

Isabella County, Michigan

General Fund

BUDGETARY COMPARISON SCHEDULE - REVENUES AND  
OTHER FINANCING SOURCES - CONTINUED

Year Ended September 30, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES - CONTINUED				
Intergovernmental - local				
Remonumentation	\$ -	\$ -	\$ 2,500	\$ 2,500
Road patrol	-	-	3,500	3,500
Other	250	250	12,450	12,200
Total intergovernmental - local	250	250	18,450	18,200
Charges for services				
Circuit Court costs	236,750	236,750	284,217	47,467
District Court costs	1,764,000	1,764,000	1,491,943	(272,057)
Probate Court costs	25,000	25,000	24,160	(840)
Juvenile Court costs	24,750	24,750	21,529	(3,221)
Prosecuting attorney	21,000	21,000	51,642	30,642
Treasurer	3,750	3,750	4,710	960
Clerk	174,000	174,000	146,617	(27,383)
Register of deeds	200,000	200,000	212,416	12,416
Drain commissioner	98,943	98,943	101,010	2,067
Sheriff department	62,100	62,100	75,046	12,946
Jail	1,308,500	1,308,500	1,267,445	(41,055)
Equalization	6,450	6,450	7,007	557
Animal control	31,750	31,750	49,476	17,726
Real estate transfer tax	164,500	164,500	160,616	(3,884)
Miscellaneous services	750	750	4,032	3,282
Total charges for services	4,122,243	4,122,243	3,901,866	(220,377)
Fines and forfeits				
District Court	42,000	42,000	38,665	(3,335)
Ordinance fines	220,350	220,350	176,158	(44,192)
Probate Court	28,750	28,750	47,034	18,284
Flexible benefits plan forfeitures	-	-	4,580	4,580
Total fines and forfeits	291,100	291,100	266,437	(24,663)
Interest and rents				
Investment earnings	251,250	251,250	286,887	35,637
Rental fees	312,969	312,969	354,687	41,718
Total interest and rents	564,219	564,219	641,574	77,355

Isabella County, Michigan

General Fund

BUDGETARY COMPARISON SCHEDULE - REVENUES AND  
OTHER FINANCING SOURCES - CONCLUDED

Year Ended September 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES - CONCLUDED				
Other				
Reimbursements	\$ 38,750	\$ 38,750	\$ 13,590	\$ (25,160)
Sale of capital assets	-	-	2,655	2,655
Donations - general	750	750	11,594	10,844
Miscellaneous revenue	500	500	63,903	63,403
Total other	<u>40,000</u>	<u>40,000</u>	<u>91,742</u>	<u>51,742</u>
TOTAL REVENUES	17,554,747	17,554,747	18,646,433	1,091,686
OTHER FINANCING SOURCES				
Transfers in	<u>2,349,011</u>	<u>2,349,011</u>	<u>1,363,428</u>	<u>(985,583)</u>
TOTAL REVENUES AND OTHER FINANCING SOURCES	<u>\$ 19,903,758</u>	<u>\$ 19,903,758</u>	<u>\$ 20,009,861</u>	<u>\$ 106,103</u>

## Isabella County, Michigan

## General Fund

BUDGETARY COMPARISON SCHEDULE - EXPENDITURES AND  
OTHER FINANCING USES BY ACTIVITY

Year Ended September 30, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>EXPENDITURES</b>				
General government				
Board of Commissioners	\$ 127,164	\$ 127,164	\$ 126,007	\$ 1,157
Administration	468,696	465,951	437,881	28,070
Elections	22,032	32,032	32,465	(433)
Clerk	421,681	423,194	382,840	40,354
Equalization	309,391	308,080	284,336	23,744
Prosecuting attorney	842,513	842,513	784,339	58,174
Register of Deeds	280,216	279,849	272,267	7,582
Human resources	47,800	47,800	60,263	(12,463)
Public defender	390,050	390,050	433,960	(43,910)
Remonumentation	50,217	50,217	97,721	(47,504)
Treasurer	175,424	175,057	158,822	16,235
MSU cooperative extension service	237,220	236,960	225,031	11,929
Data processing	172,241	172,241	163,341	8,900
Building authority	271,605	271,605	274,841	(3,236)
Courthouse and grounds	719,492	719,492	690,422	29,070
Drain commissioner	342,008	341,457	325,515	15,942
Circuit Court probation	-	-	2,590	(2,590)
Trial Court	2,606,093	2,605,688	2,615,129	(9,441)
Adult Drug Court	93,962	93,962	79,012	14,950
Juvenile Drug Court	-	-	17,682	(17,682)
Family Court	-	-	3,539	(3,539)
Jury board	1,800	1,800	812	988
Total general government	7,579,605	7,585,112	7,468,815	116,297
Public safety				
Sheriff	1,941,394	1,944,359	1,805,551	138,808
Road patrol	168,351	168,351	160,621	7,730
Marine safety	15,297	15,297	15,320	(23)
Corrections	2,155,739	2,156,539	2,228,914	(72,375)
Traffic enforcement	35,000	35,000	43,349	(8,349)
Emergency management	134,294	134,294	117,704	16,590
B.A.Y.A.N.E.T.	75,060	75,060	72,235	2,825
Michigan Justice Training Act	6,000	6,000	6,000	-0-
Youth grant	16,092	16,092	17,875	(1,783)
Livestock claims	900	900	405	495
Animal control	324,976	324,778	296,711	28,067
Total public safety	4,873,103	4,876,670	4,764,685	111,985
Public works				
Board of public works	6,080	6,080	600	5,480
Drain at large	120,000	120,000	87,971	32,029
Road graveling	-	-	163,949	(163,949)
Well monitoring - landfill	108,840	108,840	69,388	39,452
Total public works	234,920	234,920	321,908	(86,988)



Isabella County, Michigan

General Fund

BUDGETARY COMPARISON SCHEDULE - EXPENDITURES AND  
OTHER FINANCING USES BY ACTIVITY - CONCLUDED

Year Ended September 30, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>EXPENDITURES - CONCLUDED</b>				
Health and welfare				
Substance abuse counseling	\$ 188,704	\$ 188,704	\$ 181,844	\$ 6,860
Medical examiner	95,500	95,500	100,970	(5,470)
Public health	379,377	379,377	350,237	29,140
Mental health services	216,300	216,300	216,300	-0-
Child protection council	6,000	6,000	6,000	-0-
Veteran's affairs	123,519	122,881	104,867	18,014
Services to the aging	2,500	2,500	2,440	60
Disabilities advisory commission	3,000	3,000	2,217	783
Total health and welfare	1,014,900	1,014,262	964,875	49,387
Community economic and development				
Middle Michigan Development	22,500	22,500	22,500	-0-
Plat Board	250	250	150	100
Ag Preservation Board	-	-	6,944	(6,944)
Community development	221,825	220,916	199,177	21,739
Chamber of commerce	750	750	750	-0-
Total community economic and development	245,325	244,416	229,521	14,895
Recreation and cultural				
Fair board	1,250	1,250	1,250	-0-
Library	1,400	1,400	825	575
Parks board	3,600	3,600	2,188	1,412
Total recreation and cultural	6,250	6,250	4,263	1,987
Other				
Contingency	50,000	38,678	-	38,678
Insurance and bonds	250,000	250,000	208,700	41,300
Other	162,000	162,000	173,783	(11,783)
Total other	462,000	450,678	382,483	68,195
<b>TOTAL EXPENDITURES</b>	<b>14,416,103</b>	<b>14,412,308</b>	<b>14,136,550</b>	<b>275,758</b>
<b>OTHER FINANCING USES</b>				
Transfers out	5,476,465	5,816,672	5,659,162	157,510
<b>TOTAL EXPENDITURES AND OTHER FINANCING USES</b>	<b>\$ 19,892,568</b>	<b>\$ 20,228,980</b>	<b>\$ 19,795,712</b>	<b>\$ 433,268</b>

Isabella County, Michigan

Tribal Contribution Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended September 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental - Local	\$ -	\$ -	\$ 1,179,867	\$ 1,179,867
TOTAL REVENUES	-0-	-0-	1,179,867	1,179,867
EXPENDITURES				
Current				
General government	-	-	206,623	(206,623)
Public safety	-	-	956,631	(956,631)
Recreation and cultural	-	-	15,767	(15,767)
TOTAL EXPENDITURES	-0-	-0-	1,179,021	(1,179,021)
EXCESS OF REVENUES OVER EXPENDITURES	-0-	-0-	846	846
OTHER FINANCING (USES)				
Transfers out	-	-	(847)	(847)
NET CHANGE IN FUND BALANCE	-0-	-0-	(1)	(1)
Fund balance, beginning of year	202	202	202	-0-
Fund balance, end of year	<u>\$ 202</u>	<u>\$ 202</u>	<u>\$ 201</u>	<u>\$ (1)</u>

Isabella County, Michigan  
Revenue Sharing Reserve Fund  
BUDGETARY COMPARISON SCHEDULE  
Year Ended September 30, 2007

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Interest	\$ -	\$ -	\$ 145,163	\$ 145,163
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	2,501,750	2,501,750
Transfers out	-	-	(1,149,581)	(1,149,581)
TOTAL OTHER FINANCING SOURCES (USES)	<u>-0-</u>	<u>-0-</u>	<u>1,352,169</u>	<u>1,352,169</u>
NET CHANGE IN FUND BALANCE	-0-	-0-	1,497,332	1,497,332
Fund balance, beginning of year	<u>2,599,871</u>	<u>2,599,871</u>	<u>2,599,871</u>	<u>-0-</u>
Fund balance, end of year	<u>\$2,599,871</u>	<u>\$ 2,599,871</u>	<u>\$ 4,097,203</u>	<u>\$ 1,497,332</u>

Isabella County, Michigan

Child Care Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended September 30, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental				
State	\$ 957,426	\$ 957,426	\$ 940,478	\$ (16,948)
Local	45,000	45,000	39,444	(5,556)
Charges for services	220,500	220,500	216,385	(4,115)
Other	-	-	1,445	1,445
TOTAL REVENUES	1,222,926	1,222,926	1,197,752	(25,174)
EXPENDITURES				
Current				
Health and welfare	2,426,817	2,426,817	2,441,847	(15,030)
EXCESS OF REVENUES (UNDER) EXPENDITURES	(1,203,891)	(1,203,891)	(1,244,095)	(40,204)
OTHER FINANCING SOURCES				
Transfers in	1,203,891	1,203,891	1,203,891	-0-
NET CHANGE IN FUND BALANCE	-0-	-0-	(40,204)	(40,204)
Fund balance, beginning of year	483,340	483,340	483,340	-0-
Fund balance, end of year	<u>\$ 483,340</u>	<u>\$ 483,340</u>	<u>\$ 443,136</u>	<u>\$ (40,204)</u>

## **OTHER SUPPLEMENTARY INFORMATION**

Isabella County, Michigan

NONMAJOR GOVERNMENTAL FUNDS

Fund Descriptions

**SPECIAL REVENUE FUNDS**

Special Revenue Funds are used to account for the proceeds of specific revenue sources or to finance specified activities as required by law or administrative regulations.

Special Revenue Funds are part of the governmental fund category and, accordingly, are accounted for using the modified accrual basis of accounting. Revenue is recognized when it becomes measurable and available as a net current asset, and expenditures are generally recognized when the related fund liability is incurred.

The Department of Human Services Special Revenue Fund operates as a "quasi-independent" unit.

Certain Special Revenue Funds are required to account for specified activities of the Courts (the Friend of the Court Fund, Community Alternatives Fund, and Public Act 511 Fund) or certain County departments (Veterans' Activities) or in accordance with public law (County Law Library).

Other Special Revenue Funds are used to account for activities financed with specific revenue sources (the Geographical Information System Fund, Parks and Recreation Fund, Register of Deeds Automation Fund, Drug Law Enforcement Fund, LINK Michigan Grant Fund, Local Corrections Officer Training, Library Board Fund, CDBG Housing Assistance Grant Fund, Commission on Aging Activities Fund, and the E-911 Fund).

The foregoing funds are budgeted and accounted for separately. However, many funds are homogenous in nature and therefore are combined for purposes of individual fund financial statement presentation.

**CAPITAL PROJECTS FUNDS**

Capital Projects Funds are used to account for the purchase or construction of major capital facilities which are not financed by proprietary funds. The funds are used when legally mandated or when projects are financed wholly or in part by bond issues, intergovernmental revenue, or private donations. This is also particularly useful for projects financed from the current revenue of more than one fund or covering more than one year.

The County has two Capital Projects Funds.

The Capital Improvement Fund is used to account for the financing of various capital projects. Many projects are financed with transfers from other funds.

The Commission on Aging Building Construction Fund is used to account for the construction of a new senior center, which is funded by a property tax millage passed in November of 2006 by Isabella county voters.

Isabella County, Michigan

Nonmajor Governmental Funds

COMBINING BALANCE SHEET

September 30, 2007

	Special			
	Geographical Information System	Parks and Recreation	Friend of the Court	Register of Deeds Automation
<b>ASSETS</b>				
Cash and cash equivalents	\$ 6,241	\$ 134,366	\$ 109,847	\$ 270,368
Accounts receivable	-	-	-	-
Due from other funds	-	-	-	-
Due from other governmental units				
Federal/State	-	-	67,333	-
Inventories	-	-	-	-
Prepays	-	576	-	-
<b>TOTAL ASSETS</b>	<u>\$ 6,241</u>	<u>\$ 134,942</u>	<u>\$ 177,180</u>	<u>\$ 270,368</u>
<b>LIABILITIES AND FUND BALANCES (DEFICIT)</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ -	\$ 16,317	\$ 1,122	\$ 4,289
Accrued wages	-	11,907	16,823	-
Due to other funds	-	15	49	-
Deferred revenue	-	995	-	-
Due to other governmental units - State	-	-	-	-
<b>TOTAL LIABILITIES</b>	-0-	29,234	17,994	4,289
<b>FUND BALANCES (DEFICIT)</b>				
Reserved for				
Donations for special projects	-	43,885	-	-
Inventories	-	-	-	-
Prepays	-	576	-	-
Capital projects	-	-	-	-
Equipment replacement	-	-	-	-
Undesignated, reported in				
Special revenue funds	6,241	61,247	159,186	266,079
<b>TOTAL FUND BALANCES (DEFICIT)</b>	<u>6,241</u>	<u>105,708</u>	<u>159,186</u>	<u>266,079</u>
<b>TOTAL LIABILITIES AND FUND BALANCES (DEFICIT)</b>	<u>\$ 6,241</u>	<u>\$ 134,942</u>	<u>\$ 177,180</u>	<u>\$ 270,368</u>

Revenue					
Drug Law Enforcement Activities	Community Alternatives	Public Act 511	LINK Michigan Grant	Local Corrections Officers Training	County Law Library
\$ 64,076	\$ 78,234	\$ 3,003	\$ 5,700	\$ 9,158	\$ 2,606
323	-	41,851	-	-	-
-	-	-	-	-	-
-	-	17,524	-	-	-
-	-	-	-	-	-
-	-	1,050	-	-	-
<u>\$ 64,399</u>	<u>\$ 78,234</u>	<u>\$ 63,428</u>	<u>\$ 5,700</u>	<u>\$ 9,158</u>	<u>\$ 2,606</u>
\$ 4,836	\$ 299	\$ 10,561	\$ -	\$ -	\$ 1,813
-	1,716	1,709	-	-	-
-	-	79,264	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
4,836	2,015	91,534	-0-	-0-	1,813
-	1,296	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>59,563</u>	<u>74,923</u>	<u>(28,106)</u>	<u>5,700</u>	<u>9,158</u>	<u>793</u>
<u>59,563</u>	<u>76,219</u>	<u>(28,106)</u>	<u>5,700</u>	<u>9,158</u>	<u>793</u>
<u>\$ 64,399</u>	<u>\$ 78,234</u>	<u>\$ 63,428</u>	<u>\$ 5,700</u>	<u>\$ 9,158</u>	<u>\$ 2,606</u>



Isabella County, Michigan

Nonmajor Governmental Funds

COMBINING BALANCE SHEET - CONCLUDED

September 30, 2007

	Special			
	Library Board	CDBG Housing Assistance Grant	Commission on Aging Activities	Department of Human Services
<b>ASSETS</b>				
Cash and cash equivalents	\$ 344	\$ 13,189	\$ 405,488	\$ 106,156
Accounts receivable	-	686,455	26,138	-
Due from other funds	-	19,838	484,876	-
Due from other governmental units				
Federal/State	-	62,323	92,005	-
Inventories	-	-	11,361	-
Prepays	-	-	2,413	-
<b>TOTAL ASSETS</b>	<u>\$ 344</u>	<u>\$ 781,805</u>	<u>\$ 1,022,281</u>	<u>\$ 106,156</u>
<b>LIABILITIES AND FUND BALANCES (DEFICIT)</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ -	\$ 31,583	\$ 57,319	\$ -
Accrued wages	-	-	40,403	-
Due to other funds	-	24,494	35,157	-
Deferred revenue	-	686,455	674,563	-
Due to other governmental units - State	-	-	-	16,000
<b>TOTAL LIABILITIES</b>	-0-	742,532	807,442	16,000
<b>FUND BALANCES (DEFICIT)</b>				
Reserved for				
Donations for special projects	-	-	-	-
Inventories	-	-	11,361	-
Prepays	-	-	2,413	-
Capital projects	-	-	-	-
Equipment replacement	-	-	-	-
Undesignated, reported in				
Special revenue funds	344	39,273	201,065	90,156
<b>TOTAL FUND BALANCES (DEFICIT)</b>	<u>344</u>	<u>39,273</u>	<u>214,839</u>	<u>90,156</u>
<b>TOTAL LIABILITIES AND FUND BALANCES (DEFICIT)</b>	<u>\$ 344</u>	<u>\$ 781,805</u>	<u>\$ 1,022,281</u>	<u>\$ 106,156</u>

Revenue		Capital Projects		Total
Veterans Activities	E-911	Capital Improvement	Commission on Aging Building Construction	Nonmajor Governmental Funds
\$ 5,055	\$ 521,418	\$ 385,590	\$ -	\$ 2,120,839
-	128,146	-	-	882,913
-	-	87,220	203,005	794,939
4,000	45,014	21,150	-	309,349
-	-	-	-	11,361
-	296	-	-	4,335
<u>\$ 9,055</u>	<u>\$ 694,874</u>	<u>\$ 493,960</u>	<u>\$ 203,005</u>	<u>\$ 4,123,736</u>
\$ 1,859	\$ 6,577	\$ 6,043	\$ 203,005	\$ 345,623
-	22,198	-	-	94,756
-	89,095	360,735	-	588,809
-	-	79,734	-	1,441,747
-	-	-	-	16,000
1,859	117,870	446,512	203,005	2,486,935
-	-	-	-	45,181
-	-	-	-	11,361
-	296	-	-	3,285
-	-	47,448	-	47,448
-	191,253	-	-	191,253
7,196	385,455	-	-	1,338,273
7,196	577,004	47,448	-0-	1,636,801
<u>\$ 9,055</u>	<u>\$ 694,874</u>	<u>\$ 493,960</u>	<u>\$ 203,005</u>	<u>\$ 4,123,736</u>

Isabella County, Michigan

Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES

Year Ended September 30, 2007

	Special			
	Geographical Information System	Parks and Recreation	Friend of the Court	Register of Deeds Automation
<b>REVENUES</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	268,677	-	-
Intergovernmental				
Federal	-	-	377,763	-
State	-	-	-	-
Local	-	-	-	-
Charges for services	6,241	-	14,481	59,500
Fines and forfeits	-	-	-	-
Interest and rents	-	6,062	-	9,939
Contributions	-	-	-	-
Other	-	4,543	-	-
<b>TOTAL REVENUES</b>	<b>6,241</b>	<b>279,282</b>	<b>392,244</b>	<b>69,439</b>
<b>EXPENDITURES</b>				
Current				
General government	-	-	584,536	36,336
Public safety	-	-	-	-
Health and welfare	-	-	-	-
Recreation and cultural	-	523,954	-	-
Capital outlay	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>-0-</b>	<b>523,954</b>	<b>584,536</b>	<b>36,336</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>6,241</b>	<b>(244,672)</b>	<b>(192,292)</b>	<b>33,103</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	270,653	295,847	-
Transfers out	-	(717)	(1,406)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-0-</b>	<b>269,936</b>	<b>294,441</b>	<b>-0-</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>6,241</b>	<b>25,264</b>	<b>102,149</b>	<b>33,103</b>
Fund balances, beginning of year	-	80,444	57,037	232,976
Fund balances (deficit), end of year	<u>\$ 6,241</u>	<u>\$ 105,708</u>	<u>\$ 159,186</u>	<u>\$ 266,079</u>

Revenue					
Drug Law Enforcement Activities	Community Alternatives	Public Act 511	LINK Michigan Grant	Local Corrections Officers Training	County Law Library
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	124,598	-	-	-
-	-	-	-	-	-
-	102,356	19,903	-	27,390	-
6,442	-	-	-	-	6,500
134	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
6,576	102,356	144,501	-0-	27,390	6,500
-	-	229,188	-	-	13,347
12,851	59,538	-	-	33,056	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
12,851	59,538	229,188	-0-	33,056	13,347
(6,275)	42,818	(84,687)	-0-	(5,666)	(6,847)
-	-	-	-	-	3,000
-	(25,000)	-	-	-	-
-0-	(25,000)	-0-	-0-	-0-	3,000
(6,275)	17,818	(84,687)	-0-	(5,666)	(3,847)
65,838	58,401	56,581	5,700	14,824	4,640
\$ 59,563	\$ 76,219	\$ (28,106)	\$ 5,700	\$ 9,158	\$ 793

Isabella County, Michigan

Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES - CONTINUED

Year Ended September 30, 2007

	Special			
	Library Board	CDBG Housing Assistance Grant	Commission on Aging Activities	Department of Human Services
REVENUES				
Taxes	\$ -	\$ -	\$ 507,384	\$ -
Licenses and permits	-	-	-	-
Intergovernmental				
Federal	-	150,708	300,514	-
State	-	-	599,812	112,212
Local	-	-	477,241	-
Charges for services	-	-	41,008	-
Fines and forfeits	-	-	-	-
Interest and rents	12	-	9,957	-
Contributions	-	-	359,798	-
Other	-	28,287	14,717	-
TOTAL REVENUES	12	178,995	2,310,431	112,212
EXPENDITURES				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Health and welfare	-	165,649	2,269,989	118,016
Recreation and cultural	133,673	-	-	-
Capital outlay	-	-	-	-
TOTAL EXPENDITURES	133,673	165,649	2,269,989	118,016
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(133,661)	13,346	40,442	(5,804)
OTHER FINANCING SOURCES (USES)				
Transfers in	133,673	-	167,748	1,000
Transfers out	-	-	(7,920)	-
TOTAL OTHER FINANCING SOURCES (USES)	133,673	-0-	159,828	1,000
NET CHANGE IN FUND BALANCES	12	13,346	200,270	(4,804)
Fund balances, beginning of year	332	25,927	14,569	94,960
Fund balances (deficit), end of year	\$ 344	\$ 39,273	\$ 214,839	\$ 90,156

Revenue		Capital Projects		Total
Veterans Activities	E-911	Capital Improvement	Commission on Aging Building Construction	Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 507,384
-	-	-	-	268,677
-	-	-	-	828,985
7,432	157,221	21,150	-	1,022,425
-	-	-	-	477,241
-	897,320	-	-	1,168,199
-	-	-	-	12,942
-	14,513	2,497	-	43,114
-	-	-	-	359,798
-	122	11,471	-	59,140
7,432	1,069,176	35,118	-0-	4,747,905
-	-	-	-	863,407
-	866,838	-	-	972,283
9,903	-	-	-	2,563,557
-	-	-	-	657,627
-	-	420,011	597,926	1,017,937
9,903	866,838	420,011	597,926	6,074,811
(2,471)	202,338	(384,893)	(597,926)	(1,326,906)
5,500	-	420,200	597,926	1,895,547
-	(963)	-	-	(36,006)
5,500	(963)	420,200	597,926	1,859,541
3,029	201,375	35,307	-0-	532,635
4,167	375,629	12,141	-	1,104,166
\$ 7,196	\$ 577,004	\$ 47,448	\$ -0-	\$ 1,636,801

Isabella County, Michigan

Nonmajor Special Revenue Funds

SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES BY FUND - BUDGET AND ACTUAL

Year Ended September 30, 2007

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<u>Geographical Information System</u>				
REVENUES				
Charges for services	\$ -	\$ -	\$ 6,241	\$ 6,241
NET CHANGE IN FUND BALANCE	-0-	-0-	6,241	6,241
Fund balance, beginning of year	-	-	-	-0-
Fund balance, end of year	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 6,241</u>	<u>\$ 6,241</u>
<u>Parks and Recreation</u>				
REVENUES				
Licenses and permits	\$ 252,900	\$ 254,832	\$ 268,677	\$ 13,845
Interest	3,700	3,700	6,062	2,362
Other	10,198	8,266	4,543	(3,723)
TOTAL REVENUES	266,798	266,798	279,282	12,484
EXPENDITURES				
Current				
Recreation and cultural				
Administration	177,232	176,270	170,445	5,825
Coldwater Lake County Park	81,603	83,652	73,494	10,158
Deerfield County Park	40,179	37,949	49,665	(11,716)
Herrick County Park	88,183	90,244	79,432	10,812
Maintenance shop	150,254	148,619	150,918	(2,299)
TOTAL EXPENDITURES	537,451	536,734	523,954	12,780
EXCESS OF REVENUES (UNDER) EXPENDITURES	(270,653)	(269,936)	(244,672)	25,264
OTHER FINANCING SOURCES (USES)				
Transfers in	270,653	270,653	270,653	-0-
Transfers out	-	(717)	(717)	-0-
TOTAL OTHER FINANCING SOURCES (USES)	270,653	269,936	269,936	-0-
NET CHANGE IN FUND BALANCE	-0-	-0-	25,264	25,264
Fund balance, beginning of year	80,444	80,444	80,444	-0-
Fund balance, end of year	<u>\$ 80,444</u>	<u>\$ 80,444</u>	<u>\$ 105,708</u>	<u>\$ 25,264</u>

Isabella County, Michigan

Nonmajor Special Revenue Funds

SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES BY FUND - BUDGET AND ACTUAL - CONTINUED

Year Ended September 30, 2007

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
	<u>Friend of the Court</u>			
REVENUES				
Intergovernmental				
Federal	\$ 369,994	\$ 369,994	\$ 377,763	\$ 7,769
Charges for services	6,700	6,700	14,481	7,781
TOTAL REVENUES	376,694	376,694	392,244	15,550
EXPENDITURES				
Current				
General government	672,541	671,135	584,536	86,599
EXCESS OF REVENUES (UNDER) EXPENDITURES	(295,847)	(294,441)	(192,292)	102,149
OTHER FINANCING SOURCES (USES)				
Transfers in	295,847	295,847	295,847	-0-
Transfers out	-	(1,406)	(1,406)	-0-
TOTAL OTHER FINANCING SOURCES (USES)	295,847	294,441	294,441	-0-
NET CHANGE IN FUND BALANCE	-0-	-0-	102,149	102,149
Fund balance, beginning of year	57,037	57,037	57,037	-0-
Fund balance, end of year	\$ 57,037	\$ 57,037	\$ 159,186	\$ 102,149

<u>Register of Deeds Automation</u>				
REVENUES				
Charges for services	\$ 80,000	\$ 80,000	\$ 59,500	\$ (20,500)
Interest	1,000	1,000	9,939	8,939
TOTAL REVENUES	81,000	81,000	69,439	(11,561)
EXPENDITURES				
Current				
General government	81,000	81,000	36,336	44,664
NET CHANGE IN FUND BALANCE	-0-	-0-	33,103	33,103
Fund balance, beginning of year	232,976	232,976	232,976	-0-
Fund balance, end of year	<u>\$ 232,976</u>	<u>\$ 232,976</u>	<u>\$ 266,079</u>	<u>\$ 33,103</u>



Isabella County, Michigan

Nonmajor Special Revenue Funds

SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES BY FUND - BUDGET AND ACTUAL - CONTINUED

Year Ended September 30, 2007

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<u>Drug Law Enforcement Activities</u>				
REVENUES				
Fines and forfeits	\$ 3,250	\$ 3,250	\$ 6,442	\$ 3,192
Interest	500	500	134	(366)
TOTAL REVENUES	3,750	3,750	6,576	2,826
EXPENDITURES				
Current				
Public safety	3,750	3,750	12,851	(9,101)
NET CHANGE IN FUND BALANCE	-0-	-0-	(6,275)	(6,275)
Fund balance, beginning of year	65,838	65,838	65,838	-0-
Fund balance, end of year	<u>\$ 65,838</u>	<u>\$ 65,838</u>	<u>\$ 59,563</u>	<u>\$ (6,275)</u>
<u>Community Alternatives</u>				
REVENUES				
Charges for services	\$ 108,000	\$ 108,000	\$ 102,356	\$ (5,644)
EXPENDITURES				
Current				
General government	56,330	56,330	59,538	(3,208)
EXCESS OF REVENUES OVER EXPENDITURES	51,670	51,670	42,818	(8,852)
OTHER FINANCING (USES)				
Transfers out	(25,000)	(25,000)	(25,000)	-0-
NET CHANGE IN FUND BALANCE	26,670	26,670	17,818	(8,852)
Fund balance, beginning of year	58,401	58,401	58,401	-0-
Fund balance, end of year	<u>\$ 85,071</u>	<u>\$ 85,071</u>	<u>\$ 76,219</u>	<u>\$ (8,852)</u>

Isabella County, Michigan

Nonmajor Special Revenue Funds

SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES BY FUND - BUDGET AND ACTUAL - CONTINUED

Year Ended September 30, 2007

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
	<u>Public Act 511</u>			
REVENUES				
Intergovernmental				
State	\$ 100,000	\$ 100,000	\$ 124,598	\$ 24,598
Charges for services	<u>81,400</u>	<u>81,400</u>	<u>19,903</u>	<u>(61,497)</u>
TOTAL REVENUES	181,400	181,400	144,501	(36,899)
EXPENDITURES				
Current				
General government	<u>201,910</u>	<u>201,910</u>	<u>229,188</u>	<u>(27,278)</u>
NET CHANGE IN FUND BALANCE	(20,510)	(20,510)	(84,687)	(64,177)
Fund balance, beginning of year	<u>56,581</u>	<u>56,581</u>	<u>56,581</u>	<u>-0-</u>
Fund balance (deficit), end of year	<u>\$ 36,071</u>	<u>\$ 36,071</u>	<u>\$ (28,106)</u>	<u>\$ (64,177)</u>

LINK Michigan Grant

REVENUES				
Intergovernmental	\$ -	\$ -	\$ -	\$ -0-
EXPENDITURES				
Current				
Recreation and cultural	-	-	-	-0-
NET CHANGE IN FUND BALANCE	-0-	-0-	-0-	-0-
Fund balance, beginning of year	5,700	5,700	5,700	-0-
Fund balance, end of year	<u>\$ 5,700</u>	<u>\$ 5,700</u>	<u>\$ 5,700</u>	<u>\$ -0-</u>

Isabella County, Michigan

Nonmajor Special Revenue Funds

SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES BY FUND - BUDGET AND ACTUAL - CONTINUED

Year Ended September 30, 2007

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<u>Local Corrections Officers Training</u>				
REVENUES				
Charges for services	\$ -	\$ -	\$ 27,390	\$ 27,390
EXPENDITURES				
Current				
Public safety	-	-	33,056	(33,056)
NET CHANGE IN FUND BALANCE	-0-	-0-	(5,666)	(5,666)
Fund balance, beginning of year	14,824	14,824	14,824	-0-
Fund balance, end of year	<u>\$ 14,824</u>	<u>\$ 14,824</u>	<u>\$ 9,158</u>	<u>\$ (5,666)</u>
<u>County Law Library</u>				
REVENUES				
Fines and forfeits	\$ 6,500	\$ 6,500	\$ 6,500	\$ -0-
EXPENDITURES				
Current				
General government	9,500	9,500	13,347	(3,847)
EXCESS OF REVENUES (UNDER) EXPENDITURES	(3,000)	(3,000)	(6,847)	(3,847)
OTHER FINANCING SOURCES				
Transfers in	3,000	3,000	3,000	-0-
NET CHANGE IN FUND BALANCE	-0-	-0-	(3,847)	(3,847)
Fund balance, beginning of year	4,640	4,640	4,640	-0-
Fund balance, end of year	<u>\$ 4,640</u>	<u>\$ 4,640</u>	<u>\$ 793</u>	<u>\$ (3,847)</u>

Isabella County, Michigan

Nonmajor Special Revenue Funds

SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES BY FUND - BUDGET AND ACTUAL - CONTINUED

Year Ended September 30, 2007

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<u>Library Board</u>				
REVENUES				
Fines and forfeits	\$ 75,900	\$ 75,900	\$ -	\$ (75,900)
Interest	500	500	12	(488)
TOTAL REVENUES	76,400	76,400	12	(76,388)
EXPENDITURES				
Current				
Recreation and cultural	210,073	210,073	133,673	76,400
EXCESS OF REVENUES (UNDER) EXPENDITURES	(133,673)	(133,673)	(133,661)	12
OTHER FINANCING SOURCES				
Transfers in	133,673	133,673	133,673	-0-
NET CHANGE IN FUND BALANCE	-0-	-0-	12	12
Fund balance, beginning of year	332	332	332	-0-
Fund balance, end of year	<u>\$ 332</u>	<u>\$ 332</u>	<u>\$ 344</u>	<u>\$ 12</u>

Isabella County, Michigan

Nonmajor Special Revenue Funds

SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES BY FUND - BUDGET AND ACTUAL - CONTINUED

Year Ended September 30, 2007

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<u>CDBG Housing Assistance Grant</u>				
REVENUES				
Intergovernmental				
Federal	\$ 121,000	\$ 121,000	\$ 150,708	\$ 29,708
Other	<u>18,000</u>	<u>18,000</u>	<u>28,287</u>	<u>10,287</u>
TOTAL REVENUES	139,000	139,000	178,995	39,995
EXPENDITURES				
Current				
Health and welfare	<u>161,624</u>	<u>161,623</u>	<u>165,649</u>	<u>(4,026)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(22,624)	(22,623)	13,346	35,969
OTHER FINANCING SOURCES				
Transfers in	<u>-</u>	<u>-</u>	<u>-</u>	<u>-0-</u>
NET CHANGE IN FUND BALANCE	(22,624)	(22,623)	13,346	35,969
Fund balance, beginning of year	<u>25,927</u>	<u>25,927</u>	<u>25,927</u>	<u>-0-</u>
Fund balance, end of year	<u>\$ 3,303</u>	<u>\$ 3,304</u>	<u>\$ 39,273</u>	<u>\$ 35,969</u>

Isabella County, Michigan

Nonmajor Special Revenue Funds

SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES BY FUND - BUDGET AND ACTUAL - CONTINUED

Year Ended September 30, 2007

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<u>Commission on Aging Activities</u>				
REVENUES				
Taxes	\$ -	\$ 474,440	\$ 507,384	\$ 32,944
Intergovernmental				
Federal	402,264	416,688	300,514	(116,174)
State	375,545	414,745	599,812	185,067
Local	609,060	461,536	477,241	15,705
Charges for services	97,661	97,661	41,008	(56,653)
Interest and rents	-	-	9,957	9,957
Contributions	428,796	415,820	359,798	(56,022)
Other	5,700	8,955	14,717	5,762
TOTAL REVENUES	1,919,026	2,289,845	2,310,431	20,586
EXPENDITURES				
Current				
Health and welfare	2,242,084	2,252,781	2,269,989	(17,208)
EXCESS OF REVENUES OVER EXPENDITURES	(323,058)	37,064	40,442	3,378
OTHER FINANCING SOURCES (USES)				
Transfers in	351,693	190,171	167,748	(22,423)
Transfers out	(28,650)	(30,344)	(7,920)	22,424
TOTAL OTHER FINANCING SOURCES (USES)	323,043	159,827	159,828	1
NET CHANGE IN FUND BALANCE	(15)	196,891	200,270	3,379
Fund balance, beginning of year	14,569	14,569	14,569	-0-
Fund balance, end of year	\$ 14,554	\$ 211,460	\$ 214,839	\$ 3,379

Isabella County, Michigan

Nonmajor Special Revenue Funds

SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES BY FUND - BUDGET AND ACTUAL - CONTINUED

Year Ended September 30, 2007

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<u>Department of Human Services</u>				
REVENUES				
Intergovernmental State	\$ -	\$ -	\$ 112,212	\$ 112,212
EXPENDITURES				
Current Health and welfare	-	-	118,016	(118,016)
EXCESS OF REVENUES (UNDER) EXPENDITURES	-0-	-0-	(5,804)	(5,804)
OTHER FINANCING SOURCES				
Transfers in	-	-	1,000	1,000
NET CHANGE IN FUND BALANCE	-0-	-0-	(4,804)	(4,804)
Fund balance, beginning of year	94,960	94,960	94,960	-0-
Fund balance, end of year	<u>\$ 94,960</u>	<u>\$ 94,960</u>	<u>\$ 90,156</u>	<u>\$ (4,804)</u>
<u>Veterans Activities</u>				
REVENUES				
Intergovernmental State	\$ 6,864	\$ 6,864	\$ 7,432	\$ 568
EXPENDITURES				
Current Health and welfare				
Veterans affairs relief	5,500	5,500	4,409	1,091
Veterans trust	6,864	6,864	5,494	1,370
TOTAL EXPENDITURES	12,364	12,364	9,903	2,461
EXCESS OF REVENUES (UNDER) EXPENDITURES	(5,500)	(5,500)	(2,471)	3,029
OTHER FINANCING SOURCES				
Transfers in	5,500	5,500	5,500	-0-
NET CHANGE IN FUND BALANCE	-0-	-0-	3,029	3,029
Fund balance, beginning of year	4,167	4,167	4,167	-0-
Fund balance, end of year	<u>\$ 4,167</u>	<u>\$ 4,167</u>	<u>\$ 7,196</u>	<u>\$ 3,029</u>

Isabella County, Michigan

Nonmajor Special Revenue Funds

SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES BY FUND - BUDGET AND ACTUAL - CONCLUDED

Year Ended September 30, 2007

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<u>E-911</u>				
REVENUES				
Intergovernmental				
State	\$ -	\$ -	\$ 157,221	\$ 157,221
Charges for services	860,950	860,950	897,320	36,370
Interest	5,000	5,000	14,513	9,513
Other	100	100	122	22
TOTAL REVENUES	866,050	866,050	1,069,176	203,126
EXPENDITURES				
Current				
Public safety	1,040,978	1,040,015	866,838	173,177
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(174,928)	(173,965)	202,338	376,303
OTHER FINANCING (USES)				
Transfers out	-	(963)	(963)	-0-
NET CHANGE IN FUND BALANCE	(174,928)	(174,928)	201,375	376,303
Fund balance, beginning of year	375,629	375,629	375,629	-0-
Fund balance, end of year	\$ 200,701	\$ 200,701	\$ 577,004	\$ 376,303



Isabella County, Michigan

NONMAJOR ENTERPRISE FUNDS

Fund Descriptions

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the County is that the costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

The County has four Nonmajor Enterprise Funds:

The Building Inspection Fund, which is used for the activity related to construction inspections; the Recycling Fund, which is used for the Recycling Program and related grants; the Concessions Fund, which is used to account for the purchase of various consumer products for the subsequent resale to inmates lodged in the Isabella County, Michigan Jail; and the PA 123 Restricted Tax Fund, which is used to account for the activity related to the sale of real property to satisfy delinquent taxes receivable under Public Act 123.

Isabella County, Michigan

Nonmajor Enterprise Funds

STATEMENT OF NET ASSETS

September 30, 2007

	Business-type Activities				
	Building Inspection	Recycling	Concessions	PA 123 Restricted Tax	Total
<b>ASSETS</b>					
Current assets					
Cash and cash equivalents	\$ 111,118	\$ 610,511	\$ 501,361	\$ 180,884	\$ 1,403,874
Investments	-	-	-	600,000	600,000
Accounts receivable	-	98,756	-	4,403	103,159
Due from other governmental units					
Federal/State	-	19,429	-	-	19,429
Local	-	61,301	-	-	61,301
Due from other funds	-	34,402	-	1,006	35,408
Inventory	-	-	4,464	-	4,464
Prepays	148	296	-	-	444
Total current assets	111,266	824,695	505,825	786,293	2,228,079
Noncurrent assets					
Capital assets not being depreciated	-	121,953	-	-	121,953
Capital assets being depreciated, net	26,367	1,013,173	102,703	-	1,142,243
Total noncurrent assets	26,367	1,135,126	102,703	-0-	1,264,196
<b>TOTAL ASSETS</b>	<b>137,633</b>	<b>1,959,821</b>	<b>608,528</b>	<b>786,293</b>	<b>3,492,275</b>
<b>LIABILITIES</b>					
Current liabilities					
Accounts payable	1,017	193,391	15,034	1,257	210,699
Accrued liabilities	8,939	6,634	-	1,398	16,971
Due to other funds	58	1	-	-	59
Unearned revenue	-	29,079	-	-	29,079
Current portion of compensated absences	10,188	2,214	-	1,736	14,138
Total current liabilities	20,202	231,319	15,034	4,391	270,946
Noncurrent liabilities					
Compensated absences	13,749	3,322	-	2,605	19,676
<b>TOTAL LIABILITIES</b>	<b>33,951</b>	<b>234,641</b>	<b>15,034</b>	<b>6,996</b>	<b>290,622</b>
<b>NET ASSETS</b>					
Invested in capital assets	26,367	1,135,126	102,703	-	1,264,196
Restricted for equipment replacement	-	424,160	96,978	-	521,138
Unrestricted	77,315	165,894	393,813	779,297	1,416,319
<b>TOTAL NET ASSETS</b>	<b>\$ 103,682</b>	<b>\$ 1,725,180</b>	<b>\$ 593,494</b>	<b>\$ 779,297</b>	<b>\$ 3,201,653</b>

Isabella County, Michigan

Nonmajor Enterprise Funds

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

Year Ended September 30, 2007

	Business-type Activities				
	Building Inspection	Recycling	Concessions	PA 123 Restricted Tax	Total
OPERATING REVENUES					
Charges for services	\$ 302,560	\$ 86,685	\$ 235,051	\$ 134,933	\$ 759,229
Sales	-	651,891	-	-	651,891
TOTAL OPERATING REVENUES	302,560	738,576	235,051	134,933	1,411,120
OPERATING EXPENSES					
Personal services	305,665	175,579	-	54,935	536,179
Supplies	7,570	6,742	15,400	12,246	41,958
Contractual services	5,122	790,356	-	14,100	809,578
Other services and charges	15,745	64,769	3,145	5,519	89,178
Cost of goods sold	-	-	79,105	-	79,105
Depreciation	9,088	77,658	11,791	-	98,537
TOTAL OPERATING EXPENSES	343,190	1,115,104	109,441	86,800	1,654,535
OPERATING INCOME (LOSS)	(40,630)	(376,528)	125,610	48,133	(243,415)
NONOPERATING REVENUES					
Intergovernmental					
State	-	19,429	-	-	19,429
Local	-	199,004	-	-	199,004
Interest earned	-	18,891	18,355	76,768	114,014
Sale of capital assets	-	7,000	-	-	7,000
Other	-	1,274	-	-	1,274
TOTAL NONOPERATING REVENUES	-0-	245,598	18,355	76,768	340,721
INCOME (LOSS) BEFORE TRANSFERS	(40,630)	(130,930)	143,965	124,901	97,306
OTHER FINANCING SOURCES					
Transfers in	205,373	153,109	-	-	358,482
CHANGE IN NET ASSETS	164,743	22,179	143,965	124,901	455,788
Net assets (deficit), beginning of year	(61,061)	1,703,001	449,529	654,396	2,745,865
Net assets, end of year	\$ 103,682	\$ 1,725,180	\$ 593,494	\$ 779,297	\$ 3,201,653

Isabella County, Michigan

Nonmajor Enterprise Funds

STATEMENT OF CASH FLOWS

Year Ended September 30, 2007

	Business-type Activities				Total
	Building Inspection	Recycling	Concessions	PA 123 Restricted Tax	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Cash receipts from customers	\$ 302,560	\$ 876,887	\$ 235,051	\$ 134,006	\$ 1,548,504
Cash paid to suppliers	(179,864)	(798,732)	(91,090)	(32,216)	(1,101,902)
Cash paid for employee services and benefits	(304,932)	(174,198)	-	(54,859)	(533,989)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	(182,236)	(96,043)	143,961	46,931	(87,387)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Transfers in	-	153,109	-	-	153,109
State/Federal grants	-	218,433	-	-	218,433
<b>NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES</b>	-0-	371,542	-0-	-0-	371,542
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Transfers in	205,373	-	-	-	205,373
Acquisition and construction of capital assets	-	(18,760)	(33,922)	-	(52,682)
Sale of capital assets	-	7,000	-	-	7,000
<b>NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	205,373	(11,760)	(33,922)	-0-	159,691
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Purchase of investments	-	-	-	(176,709)	(176,709)
Interest revenue	-	18,891	18,355	76,768	114,014
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	-0-	18,891	18,355	(99,941)	(62,695)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	23,137	282,630	128,394	(53,010)	381,151
Cash and cash equivalents, beginning of year	87,981	327,881	372,967	233,894	1,022,723
Cash and cash equivalents, end of year	<u>\$ 111,118</u>	<u>\$ 610,511</u>	<u>\$ 501,361</u>	<u>\$ 180,884</u>	<u>\$ 1,403,874</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</b>					
Operating income (loss)	\$ (40,630)	\$ (376,528)	\$ 125,610	\$ 48,133	\$ (243,415)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities					
Depreciation	9,088	77,658	11,791	-	98,537
Other income	-	1,274	-	-	1,274
(Increase) in receivables	-	(24,873)	-	(927)	(25,800)
Decrease in due from other governmental units	-	161,910	-	-	161,910
(Increase) in prepaids	(148)	(296)	-	-	(444)
(Increase) in inventory	-	-	(2,526)	(418)	(2,944)
Decrease in due from other funds	-	87	-	-	87
Increase (decrease) in accounts payable	(929)	67,815	9,086	67	76,039
Increase in accrued liabilities	733	1,381	-	76	2,190
(Decrease) in due to other funds	(150,350)	(16)	-	-	(150,366)
(Decrease) in deferred revenue	-	(4,455)	-	-	(4,455)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>\$ (182,236)</u>	<u>\$ (96,043)</u>	<u>\$ 143,961</u>	<u>\$ 46,931</u>	<u>\$ (87,387)</u>

Isabella County, Michigan

TRUST AND AGENCY FUNDS

Fund Descriptions

Fiduciary, or Trust and Agency Funds, are used to account for assets which the County holds as trustee or agent for individuals, private organizations, and other governmental units.

**Agency Funds**

Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of the results of operations. Agency Funds are merely clearing accounts, and are accounted for using the modified accrual basis of accounting. The County's Fiduciary Funds are all Agency Funds.

The Trust and Agency Fund is used to account for collection and distribution of Court-imposed fines, current property tax collections remitted by the taxing units, and other similar collections.

The Inmate Trust Fund is used to account for cash held on behalf of inmates lodged in the County Jail.

The Employee Flexible Benefit Plan Fund is used to account for salary reductions made by employees for certain benefits as specified by the County's Flexible Benefits Plan and as permitted by IRC Section 125.

The Payroll Fund is used to account for all payroll tax-related transactions. Payroll withholdings are deposited to and disbursed from this fund.

The Library Penal Fines Fund is used to receive money from penal fines imposed for State law violations. Money is transferred annually to the County Law Library Fund and to the City/County Library.

The Medical Care Facility Patient Fund is used to account for cash held for patients that reside in the facility.

Isabella County, Michigan

Agency Funds

COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

September 30, 2007

	Agency		
	Trust and Agency	Inmate Trust	Employee Flexible Benefits Plan
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,315,947	\$ 48,369	\$ 4,463
Prepays	-	-	-
<b>TOTAL ASSETS</b>	<u>\$ 1,315,947</u>	<u>\$ 48,369</u>	<u>\$ 4,463</u>
<b>LIABILITIES</b>			
Due to other governmental units			
Federal/State	\$ 159,336	\$ -	\$ -
Local	642,876	-	-
Due to individuals and agencies	513,735	48,369	4,463
<b>TOTAL LIABILITIES</b>	<u>\$ 1,315,947</u>	<u>\$ 48,369</u>	<u>\$ 4,463</u>

	Funds		
	Library	Medical	
	Penal	Care Facility	
Payroll	Fines	Patient Agency	Total
\$ -	\$ 100,262	\$ 2,686	\$ 1,471,727
28,386	-	-	28,386
<u>\$ 28,386</u>	<u>\$ 100,262</u>	<u>\$ 2,686</u>	<u>\$ 1,500,113</u>
\$ 1,080	\$ -	\$ -	\$ 160,416
-	100,262	2,469	745,607
27,306	-	217	594,090
<u>\$ 28,386</u>	<u>\$ 100,262</u>	<u>\$ 2,686</u>	<u>\$ 1,500,113</u>

Isabella County, Michigan

Agency Funds

SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES

Year Ended September 30, 2007

	Balance October 1, 2006	Additions	Deductions	Balance September 30, 2007
<u>Trust and Agency</u>				
ASSETS				
Cash and cash equivalents	\$ 586,878	\$ 54,086,724	\$ 53,357,655	\$ 1,315,947
LIABILITIES				
Due to other governmental units				
Federal/State	\$ -	\$ 2,054,439	\$ 1,895,103	\$ 159,336
Local	233,237	28,259,009	27,849,370	642,876
Due to individuals and agencies	353,641	1,484,202	1,324,108	513,735
TOTAL LIABILITIES	\$ 586,878	\$ 31,797,650	\$ 31,068,581	\$ 1,315,947
<u>Inmate Trust</u>				
ASSETS				
Cash and cash equivalents	\$ 33,717	\$ 1,770,117	\$ 1,755,465	\$ 48,369
LIABILITIES				
Due to individuals and agencies	\$ 33,717	\$ 1,772,608	\$ 1,757,956	\$ 48,369
<u>Employee Flexible Benefits Plan</u>				
ASSETS				
Cash and cash equivalents	\$ 8,707	\$ 82,041	\$ 86,285	\$ 4,463
LIABILITIES				
Due to individuals and agencies	\$ 8,707	\$ 82,041	\$ 86,285	\$ 4,463
<u>Payroll</u>				
ASSETS				
Cash and cash equivalents	\$ 2,887	\$ 6,424,849	\$ 6,427,736	\$ -0-
Prepays	-	28,386	-	28,386
Due from others	1,165	128	1,293	-0-
TOTAL ASSETS	\$ 4,052	\$ 6,453,363	\$ 6,429,029	\$ 28,386
LIABILITIES				
Due to other governmental units				
Federal/State	\$ -	\$ 2,661,488	\$ 2,660,408	\$ 1,080
Due to individuals and agencies	4,052	230,122	206,868	27,306
	\$ 4,052	\$ 2,891,610	\$ 2,867,276	\$ 28,386



Isabella County, Michigan

Agency Funds

SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES - CONCLUDED

Year Ended September 30, 2007

	Balance October 1, 2006	Additions	Deductions	Balance September 30, 2007
<u>Library Penal Fines</u>				
ASSETS				
Cash and cash equivalents	\$ 103,835	\$ 1,092,880	\$ 1,096,453	\$ 100,262
LIABILITIES				
Due to other governmental units				
Local	\$ 103,835	\$ 424,578	\$ 428,151	\$ 100,262
<u>Medical Care Facility Patient</u>				
ASSETS				
Cash and cash equivalents	\$ 1,375	\$ 3,637	\$ 2,326	\$ 2,686
LIABILITIES				
Due to other governmental units				
Federal/State	\$ 742	\$ 3,585	\$ 1,858	\$ 2,469
Due to individuals and agencies	633	52	468	217
	\$ 1,375	\$ 3,637	\$ 2,326	\$ 2,686

Isabella County, Michigan

DISCRETELY PRESENTED COMPONENT UNITS

Fund Descriptions

The Discretely Presented Component Units of Isabella County are legally separate organizations included in the County's reporting entity because they are financially accountable to the County as defined by GASB Statement No. 14.

Financial statements for the Isabella County Board of Public Works and the Drainage Districts administered by the Isabella County Drain Commissioner have been presented in this section because separate audited financial statements are not available.

Isabella County Board of Public Works is responsible for the administration of the various public works capital projects funds and the associated debt service funds under the provisions of Act 185, Public Act of 1937, as amended. The Board is also responsible for the administration of the operations of the Lake Isabella Water Supply System as reported in an Enterprise Fund.

The Drainage Districts are established pursuant to Act 40, Public Act of 1956, as amended, and are administered by the Isabella County Drain Commissioner. The Drainage Districts include capital projects funds to report the drain construction and maintenance activities, debt service funds to maintain the financial resources for the payment of long-term debt, and an internal service fund utilized to account for the purchase of drain tile which is then sold to the individual drainage districts.

Isabella County, Michigan

Component Unit Funds

COMBINING BALANCE SHEET - DRAINAGE DISTRICTS

September 30, 2007

	Debt			
	County Drain	Little Salt River	Paisley Drain	Hance Phase II
<b>ASSETS</b>				
Cash and cash equivalents	\$ 255,223	\$ 8,309	\$ 140,982	\$ 265,948
Investments	-	-	-	-
Interest receivable	-	-	-	-
Due from other funds	-	-	-	-
Special assessments receivable	679,488	273,041	376,707	511,667
<b>TOTAL ASSETS</b>	<b>\$ 934,711</b>	<b>\$ 281,350</b>	<b>\$ 517,689</b>	<b>\$ 777,615</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Deferred revenue	\$ 676,225	\$ 273,041	\$ 376,707	\$ 511,667
Due to other funds	-	-	-	-
<b>TOTAL LIABILITIES</b>	<b>676,225</b>	<b>273,041</b>	<b>376,707</b>	<b>511,667</b>
<b>FUND BALANCES</b>				
Reserved for debt service	258,486	8,309	140,982	265,948
Unreserved - undesignated	-	-	-	-
<b>TOTAL FUND BALANCES</b>	<b>258,486</b>	<b>8,309</b>	<b>140,982</b>	<b>265,948</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 934,711</b>	<b>\$ 281,350</b>	<b>\$ 517,689</b>	<b>\$ 777,615</b>

Service		Capital Projects			
Salt River	Saunders Extension	County Drain Revolving	County Drain Construction & Maintenance	Total	
\$ 242,399	\$ 1,848	\$ 33,695	\$ 1,572,437	\$ 2,520,841	
-	-	-	1,835,564	1,835,564	
-	-	-	8,664	8,664	
-	-	127,625	50	127,675	
515,272	-	-	12,719	2,368,894	
<u>\$ 757,671</u>	<u>\$ 1,848</u>	<u>\$ 161,320</u>	<u>\$ 3,429,434</u>	<u>\$ 6,861,638</u>	
\$ 515,272	\$ 1,841	\$ -	\$ 315,197	\$ 2,669,950	
-	-	50	127,625	127,675	
515,272	1,841	50	442,822	2,797,625	
242,399	7	-	-	916,131	
-	-	161,270	2,986,612	3,147,882	
242,399	7	161,270	2,986,612	4,064,013	
<u>\$ 757,671</u>	<u>\$ 1,848</u>	<u>\$ 161,320</u>	<u>\$ 3,429,434</u>	<u>\$ 6,861,638</u>	

Isabella County, Michigan

Component Unit Funds

RECONCILIATION OF THE COMBINING BALANCE SHEET TO  
THE STATEMENT OF NET ASSETS - DRAINAGE DISTRICTS

September 30, 2007

**Total fund balances - governmental funds** **\$ 4,064,013**

Amounts reported for the governmental activities in the statement of net assets are different because:

Long-term receivables are not available to pay for current period expenditures  
and are therefore deferred in the funds. These consist of:

Deferred revenue	2,354,753
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Capital assets used in governmental activities are not financial resources  
and therefore are not reported as assets in the governmental funds.

The cost of capital assets is	\$ 15,205,929	
Accumulated depreciation is	<u>(2,831,413)</u>	
Capital assets, net		12,374,516

Internal service funds are used by management to charge the costs  
of certain activities to individual funds.

Net assets of governmental activities accounted for in Internal Service Funds	44,672
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Long-term liabilities are not due and payable in the current period  
and therefore are not reported as liabilities in the funds.

Long-term liabilities at year-end consist of:

Bonds and notes payable	3,916,089	
Accrued interest payable	<u>54,731</u>	
		<u>(3,970,820)</u>

<b>Net assets of governmental activities</b>	<b><u>\$ 14,867,134</u></b>
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Isabella County, Michigan

Component Unit Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - DRAINAGE DISTRICTS

Year Ended September 30, 2007

	Debt			
	County Drain	Little Salt River	Paisley Drain	Hance Phase II
REVENUES				
Intergovernmental - local	\$ -	\$ -	\$ -	\$ -
Interest	10,954	243	5,633	10,496
Other				
Special assessments	375,539	54,327	215,053	90,642
Other	-	-	-	-
TOTAL REVENUES	386,493	54,570	220,686	101,138
EXPENDITURES				
Debt service				
Principal	331,832	29,250	56,000	100,000
Interest and fiscal charges	45,973	17,011	23,713	30,443
Capital outlay	-	-	-	-
TOTAL EXPENDITURES	377,805	46,261	79,713	130,443
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	8,688	8,309	140,973	(29,305)
OTHER FINANCING SOURCES				
Note proceeds	-	-	-	-
NET CHANGE IN FUND BALANCES	8,688	8,309	140,973	(29,305)
Fund balances, beginning of year	249,798	-	9	295,253
Fund balances, end of year	\$ 258,486	\$ 8,309	\$ 140,982	\$ 265,948

Service		Capital Projects		
Salt River	Saunders Extension	County Drain Revolving	County Drain Construction & Maintenance	Total
\$ -	\$ -	\$ -	\$ 420,751	\$ 420,751
8,813	7	1,246	127,129	164,521
134,565	-	-	52,503	922,629
-	-	-	3,792	3,792
143,378	7	1,246	604,175	1,511,693
100,000	-	-	25,000	642,082
37,032	-	-	1,190	155,362
-	-	-	893,235	893,235
137,032	-0-	-0-	919,425	1,690,679
6,346	7	1,246	(315,250)	(178,986)
-	-	-	1,287,000	1,287,000
6,346	7	1,246	971,750	1,108,014
236,053	-	160,024	2,014,862	2,955,999
\$ 242,399	\$ 7	\$ 161,270	\$ 2,986,612	\$ 4,064,013

Isabella County, Michigan

Component Unit Funds

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES - DRAINAGE DISTRICTS

Year Ended September 30, 2007

**Net change in fund balances - total governmental funds** **\$ 1,108,014**

Amounts reported for governmental activities in the statement of activities are different because:

Revenues in the statement of activities that do not provide current financial resources  
are not reported as revenues in the funds. 342,043

Capital outlays are reported as expenditures in governmental funds. However, in the  
statement of activities, the cost of capital assets is allocated over their estimated useful lives  
as depreciation expense. In the current period, these amounts are:

Capital outlay	\$	947,283	
Depreciation expense		<u>(312,219)</u>	
Excess of capital outlay over depreciation expense			635,064

Internal service funds are used by management to charge the costs  
of certain activities to individual funds.

**Increase in net assets of Internal Service Funds** **2,985**

Repayment of long-term debt and borrowing of long-term debt is reported as expenditures and  
other financing sources in governmental funds, but the repayment reduces long-term  
liabilities and the borrowings increase long-term liabilities in the statement of net assets.  
In the current year, these amounts consist of:

Note proceeds	(1,287,000)		
Debt principal retirements		<u>642,082</u>	
			(644,918)

Some items reported in the statement of activities do not require the use of current financial  
resources and therefore are not reported as expenditures in governmental funds. These  
activities consist of:

(Increase) in accrued interest payable		<u>(20,737)</u>
--	--	-----------------

**Change in net assets of governmental activities** **\$ 1,422,451**



Isabella County, Michigan

Component Unit Funds

STATEMENT OF FUND NET ASSETS - DRAINAGE DISTRICTS - DRAIN TILE FUND

September 30, 2007

	<u>Internal Service Fund</u>
ASSETS	
Current assets	
Cash and cash equivalents	\$ 12,087
Inventory	<u>32,585</u>
NET ASSETS (unrestricted)	<u>\$ 44,672</u>

Isabella County, Michigan

Component Unit Funds

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN  
FUND NET ASSETS - DRAINAGE DISTRICTS - DRAIN TILE FUND

Year Ended September 30, 2007

	<u>Internal Service Fund</u>
OPERATING REVENUES	
Sales	\$ 10,309
OPERATING EXPENSES	
Materials	<u>7,324</u>
OPERATING INCOME/CHANGE IN NET ASSETS	2,985
Net assets, beginning of year	<u>41,687</u>
Net assets, end of year	<u>\$ 44,672</u>

Isabella County, Michigan

Component Unit Funds

STATEMENT OF CASH FLOWS - DRAINAGE DISTRICTS - DRAIN TILE FUND

Year Ended September 30, 2007

	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash receipts from customers	\$ 10,309
Cash paid to suppliers	<u>(13,214)</u>
NET CASH (USED) BY OPERATING ACTIVITIES	(2,905)
Cash and cash equivalents, beginning of year	<u>14,992</u>
Cash and cash equivalents, end of year	<u><u>\$ 12,087</u></u>
Reconciliation of operating income to net cash (used) by operating activities	
Operating income	\$ 2,985
Adjustments to reconcile operating income to net cash (used) by operating activities	
(Increase) in inventory	<u>(5,890)</u>
NET CASH (USED) BY OPERATING ACTIVITIES	<u><u>\$ (2,905)</u></u>

Isabella County, Michigan

Component Unit Funds

COMBINING BALANCE SHEET - BOARD OF PUBLIC WORKS

September 30, 2007

	Debt Service			Capital
	Shepherd Storm Sewer	Clare Water & Sewer	Union Township Wastewater Treatment	Shepherd Storm Sewer Separation Construction
ASSETS				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -
Accounts receivable	150	-	-	-
Lease receivable	1,350,000	340,000	7,250,000	-
Due from other governmental units	-	54,341	-	-
Prepays	-	58,459	557,423	-
<b>TOTAL ASSETS</b>	<b>\$ 1,350,150</b>	<b>\$ 452,800</b>	<b>\$ 7,807,423</b>	<b>\$ -0-</b>
LIABILITIES				
Accounts payable	\$ 150	\$ -	\$ -	\$ -
Due to other governmental units	-	58,634	-	-
Deferred revenue	1,350,000	394,166	7,807,423	-
<b>TOTAL LIABILITIES</b>	<b>1,350,150</b>	<b>452,800</b>	<b>7,807,423</b>	<b>-0-</b>
FUND BALANCES				
Reserved for Capital projects	-	-	-	-
<b>TOTAL FUND BALANCES</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 1,350,150</b>	<b>\$ 452,800</b>	<b>\$ 7,807,423</b>	<b>\$ -0-</b>

Projects Clare Water & Sewer System Construction	Total
\$ 21,820	\$ 21,820
-	150
-	8,940,000
-	54,341
-	615,882
<u>\$ 21,820</u>	<u>\$ 9,632,193</u>
\$ -	\$ 150
-	58,634
-	9,551,589
-0-	9,610,373
<u>21,820</u>	<u>21,820</u>
<u>21,820</u>	<u>21,820</u>
<u>\$ 21,820</u>	<u>\$ 9,632,193</u>

Isabella County, Michigan

Component Unit Funds

RECONCILIATION OF THE COMBINING BALANCE SHEET TO  
THE STATEMENT OF NET ASSETS - BOARD OF PUBLIC WORKS

September 30, 2007

<b>Total fund balance/net assets - component unit funds</b>	<b>\$</b>	<b>125,385</b>
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Amounts reported for the governmental activities in the statement of net assets are different because:

Certain accounts receivable are not susceptible to accrual in the governmental funds due to not having met the criteria to be considered available to finance current operations.		8,514,946
---	--	-----------

Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.

Long-term liabilities at year-end consist of:

Accrued interest payable	\$	4,946	
Direct county obligations		<u>8,510,000</u>	
			<u>(8,514,946)</u>

<b>Net assets of component unit activities</b>	<b>\$</b>	<b><u>125,385</u></b>
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Isabella County, Michigan

Component Unit Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES - BOARD OF PUBLIC WORKS

Year Ended September 30, 2007

	Debt Service			Capital
	Shepherd Storm Sewer	Clare Water & Sewer	Union Township Wastewater Treatment	Shepherd Storm Sewer Separation Construction
REVENUES				
Intergovernmental - local	\$ 253,635	\$ 63,325	\$ 734,603	\$ -
Interest	-	-	-	194
TOTAL REVENUES	253,635	63,325	734,603	194
EXPENDITURES				
Current				
Public Works	-	-	-	11,669
Debt service				
Principal	190,000	45,000	385,000	-
Interest and fiscal charges	63,635	18,500	349,603	-
TOTAL EXPENDITURES	253,635	63,500	734,603	11,669
NET CHANGE IN FUND BALANCES	-0-	(175)	-0-	(11,475)
Fund balances, beginning of year	-	175	-	11,475
Fund balances, end of year	\$ -0-	\$ -0-	\$ -0-	\$ -0-

<u>Projects</u>	
Clare	
Water & Sewer	
System	
<u>Construction</u>	<u>Total</u>
\$ -	\$ 1,051,563
790	984
790	1,052,547
-	11,669
-	620,000
-	431,738
-0-	1,063,407
790	(10,860)
21,030	32,680
<u>\$ 21,820</u>	<u>\$ 21,820</u>



Isabella County, Michigan

Component Unit Funds

RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL  
FUNDS TO THE STATEMENT OF ACTIVITIES - BOARD OF PUBLIC WORKS

Year Ended September 30, 2007

<b>Net change in fund balances/net assets - total component unit funds</b>	<b>\$</b>	<b>(10,544)</b>
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Amounts reported for governmental activities in the statement of activities are different because:

Repayment of long-term debt and borrowing of long-term debt is reported as expenditures and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net assets. In the current year, these amounts consist of:

Long-term debt retirements	620,000
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(620,665)
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Some items reported in the Statement of Activities do not require the use of financial resources and are therefore not reported as expenditures in governmental funds. These items consist of:

Decrease in accrued interest payable	<u>665</u>
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<b>Change in net assets of component unit activities</b>	<b>\$</b>	<b><u>(10,544)</u></b>
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Isabella County, Michigan

Component Unit Funds

STATEMENT OF FUND NET ASSETS - BOARD OF PUBLIC WORKS -  
LAKE ISABELLA WATER SUPPLY SYSTEM

September 30, 2007

	<u>Proprietary Fund</u>
<b>ASSETS</b>	
Current assets	
Cash and cash equivalents	\$ 44,437
Accounts receivable	<u>8,759</u>
Total current assets	53,196
Noncurrent assets	
Capital assets not being depreciated	16,000
Capital assets being depreciated, net	<u>47,400</u>
Total noncurrent assets	<u>63,400</u>
TOTAL ASSETS	116,596
<b>LIABILITIES</b>	
Accounts payable	581
Due to other governmental units	<u>12,450</u>
TOTAL LIABILITIES	<u>13,031</u>
<b>NET ASSETS</b>	
Invested in capital assets	63,400
Unrestricted	<u>40,165</u>
	<u>\$ 103,565</u>

Isabella County, Michigan

Component Unit Funds

STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN FUND NET ASSETS - BOARD OF PUBLIC WORKS -  
LAKE ISABELLA WATER SUPPLY SYSTEM

Year Ended September 30, 2007

	<u>Proprietary Fund</u>
OPERATING REVENUES	
Charges for services	\$ 29,888
OPERATING EXPENSES	
Supplies	1,309
Utilities	3,096
Contractual services	6,199
Other	12,537
Depreciation	<u>6,851</u>
TOTAL OPERATING EXPENSES	<u>29,992</u>
OPERATING (LOSS)	(104)
NONOPERATING REVENUES	
Interest	<u>420</u>
CHANGE IN NET ASSETS	316
Net assets, beginning of year	<u>103,249</u>
Net assets, end of year	<u><u>\$ 103,565</u></u>

Isabella County, Michigan

Component Unit Funds

STATEMENT OF CASH FLOWS - BOARD OF PUBLIC WORKS  
LAKE ISABELLA WATER SUPPLY SYSTEM

Year Ended September 30, 2007

	Proprietary Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash receipts from customers	\$ 26,707
Cash paid to suppliers	<u>(22,790)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	3,917
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest	<u>420</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	4,337
Cash and cash equivalents, beginning of year	<u>40,100</u>
Cash and cash equivalents, end of year	<u><u>\$ 44,437</u></u>
Reconciliation of operating (loss) to net cash provided by operating activities	
Operating (loss)	\$ (104)
Adjustments to reconcile operating (loss) to net cash provided by operating activities	
Depreciation	6,851
(Increase) in accounts receivable	(3,181)
(Decrease) in accounts payable	(12,099)
Increase in due to other governmental units	<u>12,450</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 3,917</u></u>

**STATISTICAL SECTION (UNAUDITED)**

## STATISTICAL SECTION

This part of Isabella County's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

Contents	Page
Financial Trends	
<i>These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.</i>	102
Revenue Capacity	
<i>These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.</i>	105
Debt Capacity	
<i>These schedules present information to help the reader assess the affordability of the government's current level of outstanding debt and the government's ability to issue additional debt in the future.</i>	113
Demographic and Economic Information	
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.</i>	116
Operating Information	
<i>These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.</i>	118

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The County implemented Governmental Accounting Standards Board Statement 34 in 2003. Schedules presenting government-wide information include information beginning in that year.

Isabella County, Michigan

Table 1

NET ASSETS BY COMPONENT

LAST TEN FISCAL YEARS

(Unaudited)

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
<b>Governmental activities</b>										
Invested in capital assets, net of related debt	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,354,981	\$ 8,216,255	\$ 12,588,690	\$ 13,583,934	\$ 11,883,861
Restricted	-	-	-	-	-	445,647	332,891	247,806	295,993	283,882
Unrestricted	-	-	-	-	-	9,164,097	8,388,443	4,934,619	7,839,719	12,801,477
<b>Total governmental activities net assets</b>	<b>\$ -0-</b>	<b>\$ -0-</b>	<b>\$ -0-</b>	<b>\$ -0-</b>	<b>\$ -0-</b>	<b>\$ 18,964,725</b>	<b>\$ 14,937,589</b>	<b>\$ 17,769,117</b>	<b>\$ 21,719,646</b>	<b>\$ 24,779,220</b>
<b>Business-type activities</b>										
Invested in capital assets, net of related debt	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,448,899	\$ 2,616,645	\$ 3,815,212	\$ 3,780,427	\$ 4,430,933
Restricted	-	-	-	-	-	3,769,983	3,818,295	3,047,637	2,657,252	3,630,776
Unrestricted	-	-	-	-	-	5,656,994	5,886,611	6,058,074	7,960,768	8,508,879
<b>Total business-type activities net assets</b>	<b>\$ -0-</b>	<b>\$ -0-</b>	<b>\$ -0-</b>	<b>\$ -0-</b>	<b>\$ -0-</b>	<b>\$ 11,873,676</b>	<b>\$ 12,321,551</b>	<b>\$ 12,920,923</b>	<b>\$ 14,398,447</b>	<b>\$ 16,770,588</b>
<b>Primary government</b>										
Invested in capital assets, net of related debt	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,801,680	\$ 8,832,900	\$ 16,401,902	\$ 17,364,361	\$ 16,124,794
Restricted	-	-	-	-	-	4,215,630	4,151,186	3,295,445	2,953,245	4,114,658
Unrestricted	-	-	-	-	-	14,821,091	14,275,054	10,992,693	15,800,487	21,308,766
<b>Total primary activities net assets</b>	<b>\$ -0-</b>	<b>\$ -0-</b>	<b>\$ -0-</b>	<b>\$ -0-</b>	<b>\$ -0-</b>	<b>\$ 30,838,401</b>	<b>\$ 27,259,140</b>	<b>\$ 30,690,040</b>	<b>\$ 36,118,093</b>	<b>\$ 41,548,218</b>

Isabella County, Michigan

Table 2

CHANGES IN NET ASSETS

LAST TEN FISCAL YEARS

(Unaudited)

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
<b>Expenses</b>										
Governmental activities:										
General government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,587,243	\$ 9,245,814	\$ 8,804,801	\$ 8,903,193	\$ 9,037,551
Public safety	-	-	-	-	-	6,115,722	8,866,982	6,921,138	6,993,809	7,244,038
Public works	-	-	-	-	-	389,285	362,475	76,458	117,136	327,186
Community and economic development	-	-	-	-	-	-	-	-	-	230,889
Health and welfare	-	-	-	-	-	5,681,001	8,088,840	5,933,564	5,651,353	6,019,736
Culture and recreation	-	-	-	-	-	1,324,349	1,758,839	1,108,896	1,067,792	704,189
Interest on debt	-	-	-	-	-	361,231	348,408	315,652	297,716	172,524
Total governmental activities expenses	-0-	-0-	-0-	-0-	-0-	22,438,831	24,671,358	23,180,509	23,020,999	23,736,073
Business-type activities:										
Delinquent property tax	-	-	-	-	-	49,388	59,382	65,087	70,472	179,154
Building inspections	-	-	-	-	-	-	-	336,463	297,811	343,180
Recycling facility	-	-	-	-	-	852,048	1,019,740	1,091,877	897,929	1,115,104
Concessions	-	-	-	-	-	120,400	123,747	143,269	129,915	109,441
Medical Care Facility	-	-	-	-	-	5,493,390	5,973,028	6,451,341	7,993,776	8,368,433
Total business-type activities expenses	-0-	-0-	-0-	-0-	-0-	6,515,226	7,176,897	8,088,037	9,389,903	10,115,322
Total primary government expenses	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 28,954,057	\$ 31,847,255	\$ 31,268,546	\$ 32,410,902	\$ 33,851,395
<b>Program Revenues</b>										
Governmental activities:										
Charges for services										
General government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,864,299	\$ 4,047,398	\$ 4,110,207	\$ 4,054,488	\$ 3,014,558
Public safety	-	-	-	-	-	2,509,817	2,721,036	2,160,798	2,176,113	2,511,478
Public works	-	-	-	-	-	-	-	-	-	126,847
Community and economic development	-	-	-	-	-	-	-	-	-	36,974
Health and welfare	-	-	-	-	-	158,755	387,382	404,602	388,823	494,261
Culture and recreation	-	-	-	-	-	282,641	294,540	347,764	323,391	268,677
Interest on debt	-	-	-	-	-	41,668	156,526	133,341	(53,584)	-
Operating grants and contributions	-	-	-	-	-	5,588,177	7,024,679	7,314,517	7,274,570	6,103,937
Capital grants and contributions	-	-	-	-	-	304,088	621,800	744,934	439,063	73,939
Total governmental activities program revenues	-0-	-0-	-0-	-0-	-0-	12,749,445	15,253,381	15,216,163	14,601,864	12,630,671
Business-type activities:										
Charges for services										
Delinquent property tax	-	-	-	-	-	490,764	438,655	451,657	556,383	491,552
Building inspections	-	-	-	-	-	-	-	398,178	331,525	302,580
Recycling facility	-	-	-	-	-	458,793	599,033	707,255	626,238	738,576
Concessions	-	-	-	-	-	155,943	184,687	200,684	222,021	235,051
Medical Care Facility	-	-	-	-	-	5,231,157	5,216,184	5,239,485	7,261,947	8,168,068
Operating grants and contributions	-	-	-	-	-	89,797	337,096	506,250	438,182	293,545
Capital grants and contributions	-	-	-	-	-	-	-	-	-	-
Total business-type activities program revenues	-0-	-0-	-0-	-0-	-0-	6,426,454	6,758,556	7,503,709	8,436,296	10,249,352
Total primary government program revenues	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 19,175,899	\$ 22,009,917	\$ 22,719,872	\$ 24,038,160	\$ 22,880,023



Isabella County, Michigan

Table 2

CHANGES IN NET ASSETS

LAST TEN FISCAL YEARS

(Unaudited)

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Net (expense)/revenue										
Governmental activities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (9,689,386)	\$ (8,417,997)	\$ (7,944,346)	\$ (8,419,135)	\$ (11,105,402)
Business-type activities	-	-	-	-	-	(88,772)	(419,341)	(584,328)	46,393	134,030
Total primary government net expense	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ (9,778,158)	\$ (8,837,338)	\$ (8,528,674)	\$ (8,372,742)	\$ (10,971,372)
General Revenues and Other Changes In										
Net Assets										
Governmental activities:										
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,740,008	\$ 7,124,073	\$ 8,883,634	\$ 10,964,855	\$ 13,087,917
Unrestricted grants and contributions	-	-	-	-	-	1,428,534	1,374,620	361,470	410,176	568,277
Unrestricted investment earnings	-	-	-	-	-	132,619	96,763	231,476	384,489	532,088
Gain on disposal of capital assets	-	-	-	-	-	37,265	2,400	-	-	-
Other revenue	-	-	-	-	-	17,715	-	-	-	122,176
Transfers - Internal activities	-	-	-	-	-	251,656	496,000	299,294	429,404	(145,482)
Total governmental activities	-0-	-0-	-0-	-0-	-0-	8,607,827	9,093,856	10,775,874	12,188,924	14,164,978
Business-type activities:										
Property taxes	-	-	-	-	-	1,051,974	1,005,052	1,072,663	1,150,880	1,223,376
Unrestricted grants and contributions	-	-	-	-	-	-	112,593	150,725	76,544	-
Unrestricted investment earnings	-	-	-	-	-	181,085	222,910	264,526	652,179	398,090
Gain on disposal of capital assets	-	-	-	-	-	-	-	-	-	7,000
Other revenue	-	-	-	-	-	-	-	7,733	-	462,571
Transfers - Internal activities	-	-	-	-	-	(251,656)	(496,000)	(299,294)	(429,404)	145,482
Total business-type activities	-0-	-0-	-0-	-0-	-0-	981,373	844,655	1,196,355	1,450,199	2,236,521
Total primary government	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 9,589,200	\$ 9,938,411	\$ 11,972,229	\$ 13,639,123	\$ 16,401,497
Change In Net Assets										
Governmental activities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (1,081,559)	\$ (324,141)	\$ 2,831,528	\$ 3,769,789	\$ 3,059,574
Business-type activities	-	-	-	-	-	692,601	425,214	612,027	1,496,592	2,370,551
Total primary government	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ (188,958)	\$ 101,073	\$ 3,443,555	\$ 5,266,381	\$ 5,430,125

**Isabella County, Michigan**  
**GOVERNMENTAL ACTIVITIES TAX REVENUE BY SOURCE**  
**LAST TEN FISCAL YEARS**  
**(Unaudited)**

Fiscal Year	Property Tax
1998	\$ -
1999	-
2000	-
2001	-
2002	-
2003	6,740,008
2004	7,124,073
2005	9,883,634
2006	10,964,855
2007	13,087,917

## Isabella County, Michigan

Table 4

## FUND BALANCES OF GOVERNMENTAL FUNDS

## LAST TEN FISCAL YEARS

(Unaudited)

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
General fund										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 188,266	\$ 114,084	\$ 32,167	\$ 23,911	\$ 75,090
Unreserved	-	-	-	-	-	3,848,170	3,741,109	4,341,327	4,704,913	4,867,875
Total general fund	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 4,036,436</u>	<u>\$ 3,855,193</u>	<u>\$ 4,373,494</u>	<u>\$ 4,728,824</u>	<u>\$ 4,942,973</u>
All other governmental funds										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 84,903	\$ 108,085	\$ 156,349	\$ 246,485	\$ 347,858
Unreserved										
Special revenue funds	-	-	-	-	-	688,633	839,081	2,108,826	3,928,953	5,829,483
Debt Service Funds	-	-	-	-	-	166,194	61,480	47,483	49,534	123,741
Capital Project Funds	-	-	-	-	-	6,284	48,232	88,095	12,141	-
Total all other governmental funds	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 926,014</u>	<u>\$ 1,057,888</u>	<u>\$ 2,380,753</u>	<u>\$ 4,237,113</u>	<u>\$ 6,301,082</u>

Isabella County, Michigan

Table 5

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

(Unaudited)

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
<b>Revenues</b>										
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,746,385	\$ 7,124,073	\$ 9,883,634	\$ 11,085,829	\$ 14,267,784
Licenses and permits	-	-	-	-	-	608,977	714,949	485,099	455,771	363,080
Intergovernmental revenue	-	-	-	-	-	6,864,943	8,623,153	7,897,888	7,462,830	5,049,049
Charges for services	-	-	-	-	-	3,585,781	3,605,104	3,944,473	3,902,825	5,286,450
Fine and forfeits	-	-	-	-	-	620,382	628,964	595,695	461,592	279,379
Interest and rent	-	-	-	-	-	2,632,643	3,071,834	2,303,142	2,444,298	1,105,727
Other revenue	-	-	-	-	-	545,490	583,635	737,417	799,483	512,125
Total revenues	-0-	-0-	-0-	-0-	-0-	21,804,811	24,357,712	25,827,348	26,612,328	26,863,594
<b>Expenditures</b>										
General government	-	-	-	-	-	7,602,851	8,112,451	8,126,775	8,361,658	8,538,845
Public safety	-	-	-	-	-	5,723,638	6,491,517	6,921,785	7,331,698	6,693,599
Public works	-	-	-	-	-	409,065	364,410	243,093	186,192	321,908
Health and welfare	-	-	-	-	-	5,647,883	6,017,229	5,929,630	5,638,716	5,970,279
Culture and recreation	-	-	-	-	-	1,273,343	1,734,012	1,097,398	1,130,719	677,857
Other	-	-	-	-	-	374,657	512,313	529,918	401,492	612,004
Capital outlay	-	-	-	-	-	585,513	623,155	777,966	1,110,823	1,017,937
Debt service	-	-	-	-	-	790,533	1,050,941	658,911	668,744	607,765
Total expenditures	-0-	-0-	-0-	-0-	-0-	22,407,481	24,906,028	24,285,476	24,630,042	24,439,994
Excess of revenues over (under) expenditures	-0-	-0-	-0-	-0-	-0-	(602,870)	(548,316)	1,541,872	1,782,286	2,423,600

Isabella County, Michigan

Table 5

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS - CONCLUDED

LAST TEN FISCAL YEARS

(Unaudited)

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Other financing sources (uses)										
Bond proceeds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 187,025	\$ -	\$ -	\$ -	\$ -
Sale of capital assets	-	-	-	-	-	37,285	2,400	-	-	-
Transfers in	-	-	-	-	-	2,592,035	3,217,795	6,741,406	6,764,426	7,298,040
Transfers (out)	-	-	-	-	-	(2,340,349)	(2,721,795)	(6,442,112)	(6,335,022)	(7,443,522)
Total other financing sources (uses)	-0-	-0-	-0-	-0-	-0-	475,976	498,400	299,294	429,404	(145,482)
Net change in fund balances	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ (326,894)	\$ (49,916)	\$ 1,841,166	\$ 2,211,890	\$ 2,278,118
Debt service as a percentage of noncapital expenditures						3.62%	4.33%	2.80%	2.82%	2.59%

Isabella County, Michigan

Table 6

ASSESSED VALUE AND ESTIMATED TRUE CASH VALUE OF TAXABLE PROPERTY

LAST NINE FISCAL YEARS

(Unaudited)

Fiscal Year Ended September 30,	A.V. Real Property		A.V. Personal Property	Total Assessed Value	Total Direct Tax Rate	Total Taxable Value	Estimated True Cash Value	Taxable Value as a Percentage of True Cash Value
	Ag/Res	Com/Ind/T-C/Dev						
1999	\$ 748,881,347	\$ 189,480,180	\$ 97,940,068	\$ 1,036,301,595	7.0700	\$ 874,820,662	\$ 2,072,603,190	42.21%
2000	827,314,911	212,469,158	95,821,239	1,135,605,308	7.1200	925,360,769	2,271,210,616	40.74%
2001	939,284,708	268,943,829	97,381,842	1,305,610,379	7.1200	1,002,599,479	2,611,220,758	38.40%
2002	1,018,986,127	291,499,881	98,597,769	1,409,083,777	8.1200	1,078,607,813	2,818,167,554	38.27%
2003	1,119,278,833	327,362,254	98,990,643	1,543,631,730	8.0200	1,145,972,887	3,087,263,460	37.12%
2004	1,221,983,772	353,026,964	101,428,375	1,676,439,111	8.1448	1,224,890,253	3,352,878,222	36.53%
2005	1,330,374,674	375,539,834	106,113,539	1,812,028,047	8.1700	1,314,413,774	3,624,056,094	36.27%
2006	1,455,811,177	408,602,475	108,564,527	1,970,978,179	9.1500	1,409,875,482	3,941,956,358	35.77%
2007	1,542,103,877	464,507,257	114,135,396	2,120,746,530	9.1476	1,529,082,641	4,241,493,060	36.05%

Source: Isabella County Equalization Department

Note: Property in the county is reassessed annually. The tax rates are applied to taxable value to generate revenue. True cash values are estimated at twice the State Equalized Values. Estimated actual value is calculated by dividing assessed value by those percentages.

Tax rates are per \$1,000 of taxable value.

Isabella County, Michigan

Table 7

PROPERTY TAX RATES

DIRECT AND OVERLAPPING GOVERNMENTS

LAST TEN FISCAL YEARS

(Unaudited)

Fiscal Year (1)	Isabella County			Overlapping Rates									
	Operating Millage	Special Millage	Total County Millage	Community Colleges									
				SET (2)	Local School Districts	Inter- mediate Schools	Library Districts	Mid-Michigan Comm College	Montcalm Comm College	Townships	Mt. Pleasant	Clara	Villages
1997	8.4766	0.6000	7.0766	6.0000	19.7500 - 26.7000	1.1756 - 4.2670	0.0000	1.3684	2.8857	.9902 - 3.2396	15.9000	17.6825	3.0000 - 13.0000
1998	6.4700	0.6000	7.0700	6.0000	19.5000 - 26.7000	1.1756 - 4.2575	0.0000	1.3613	2.8811	.9717 - 3.2363	16.4000	17.6825	3.0000 - 13.0000
1999	6.4700	0.6000	7.0700	6.0000	17.7929 - 26.7000	1.1756 - 4.2372	1.7500	1.3454	2.8562	.9522 - 3.2232	16.3095	17.6901	3.0000 - 13.0000
2000	6.4700	0.6500	7.1200	6.0000	17.6577 - 25.7944	1.1756 - 4.3691	1.7167	1.3357	2.8176	.9241 - 3.2500	15.4500	20.3872	3.0000 - 12.9798
2001	6.4700	0.6500	7.1200	6.0000	19.4046 - 26.5200	1.1756 - 4.3418	1.7076	1.3202	2.7989	.9750 - 3.2425	16.4500	20.4322	2.8383 - 12.9647
2002	6.4700	1.6500	8.1200	6.0000	19.1490 - 26.5200	1.1756 - 4.3326	1.7057	1.3036	2.7867	.9586 - 3.1886	15.4500	20.4322	1.9228 - 13.0000
2003	6.4700	1.5500	8.0200	5.0000	18.7509 - 26.5200	1.1756 - 4.3084	1.7057	1.2792	2.7486	.8926 - 3.1557	15.4500	20.1603	1.9103 - 13.0000
2004	6.4448	1.7000	8.1448	6.0000	18.5109 - 26.4426	1.1756 - 4.2965	1.6694	1.2582	2.7486	.9246 - 3.1361	15.4500	20.1565	1.8674 - 13.0000
2005	6.4700	1.7000	8.1700	6.0000	20.0509 - 26.5200	1.1756 - 4.2965	2.6894	1.2404	2.7292	.9775 - 3.1762	15.4500	19.2500	1.8556 - 13.0000
2006	6.4700	2.6800	9.1500	8.0000	20.4000 - 26.5200	1.1756 - 5.0859	2.6790	1.2232	2.7292	.9502 - 3.1272	15.7500	19.2500	1.8465 - 13.0000

Source: Isabella County Equalization Department

(1) Rates reduced to comply with the Headlee Amendment.

(2) Proposal A voted in on March 15, 1994 implemented a 5 mill state education tax with the exception of 2003 which was reduced to 5 mills

Table 8

**ISABELLA COUNTY**  
**Principal Property Taxpayers**  
**September 30, 2007**  
**(Unaudited)**

Taxpayer	2007			1997		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Consumers Energy	\$ 24,785,930	1	1.62%	\$ 12,710,116	1	1.55%
CME Corporation	12,549,371	2	0.82%	-	-	-
United Investments, Inc	11,250,894	3	0.74%	-	-	-
Deerfield Village, LLC	8,569,768	4	0.56%	-	-	-
Bluegrass Crossings, LLC	8,265,541	5	0.54%	-	-	-
Mid Michigan Inns, Inc	8,039,419	6	0.53%	-	-	-
Morbark, Inc	7,725,099	7	0.51%	4,613,361	4	0.56%
Lexington Ridge Apts, LLC	7,457,616	8	0.49%	-	-	-
Sterling Way Associates, LLC	7,439,840	9	0.49%	-	-	-
Menard, Inc	7,333,272	10	0.48%	-	-	-
Great Lakes Gas	-	-	-	8,073,862	2	0.98%
Developer's Div. Finance Corp	-	-	-	5,124,500	3	0.62%
Delfield	-	-	-	4,093,000	5	0.50%
James McGuirk	-	-	-	2,755,765	6	0.34%
Central Michigan Inn	-	-	-	2,706,800	7	0.33%
D & D Investment	-	-	-	2,465,585	8	0.30%
Hubscher	-	-	-	2,325,094	9	0.28%
Michigan Consolidated Gas	-	-	-	2,302,089	10	0.28%
Totals	<u>\$ 103,416,750</u>		<u>6.78%</u>	<u>\$ 47,170,172</u>		<u>5.74%</u>

Source: Isabella County Equalization Department



Table 9

**ISABELLA COUNTY**  
**Property Tax Levies and Collections**  
**Last Ten Fiscal Years**  
**(Unaudited)**

Year Ended December 31,	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Delinquents Purchased by Treasurer	Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy			Amount	Percentage of Levy
1998	\$ 31,371,180	\$ 28,951,007	92.29%	\$ 2,420,173	\$ 2,420,173	\$ 31,371,180	100.00%
1999	33,899,714	31,352,577	92.49%	2,547,137	2,547,137	33,899,714	100.00%
2000	37,018,083	34,281,954	92.61%	2,736,129	2,736,129	37,018,083	100.00%
2001	40,533,248	37,887,578	93.47%	2,645,670	2,644,832	40,532,410	100.00%
2002	44,477,633	41,857,154	94.11%	2,620,479	2,619,895	44,477,049	100.00%
2003	47,261,055	44,628,805	94.43%	2,632,250	2,608,623	47,237,428	99.95%
2004	49,564,009	46,747,863	94.32%	2,816,146	2,810,797	49,558,660	98.99%
2005	52,447,054	49,611,137	94.59%	2,835,917	2,537,949	52,149,086	99.43%
2006	57,704,880	54,347,846	94.18%	3,357,032	1,774,303	56,122,151	97.26%
**2007	61,765,095						

Source: Isabella County Treasurer

(1) Includes all delinquent tax years March 31- March 31 and excludes personal tax collections.

\*\*2007 tax settlement not completed.

Isabella County, Michigan

Table 10

RATIOS OF OUTSTANDING DEBT BY TYPE

LAST TEN FISCAL YEARS

(Unaudited)

Fiscal Year	Governmental Activities					Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	General Obligation Bonds	Capital Leases	Postclosure Landfill Costs	Vested Employee Benefits	Business-Type Activities			
1998	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0.00%	-
1999	-	-	-	-	-	-	0.00%	-
2000	-	-	-	-	-	-	0.00%	-
2001	-	-	-	-	-	-	0.00%	-
2002	-	-	-	-	-	-	0.00%	-
2003	6,735,000	167,114	1,180,280	770,449	8,271,933	17,124,776	1.23%	268
2004	6,075,000	124,166	1,178,345	755,859	7,990,162	16,123,532	1.12%	249
2005	5,785,000	80,656	1,011,710	762,645	7,724,085	15,364,096	1.00%	235
2006	5,465,000	29,685	1,077,585	819,275	7,516,848	14,908,393	N/A	227
2007	5,135,000	-	1,008,197	829,874	7,251,824	14,224,895	N/A	216

Note: Details regarding the county's outstanding debt can be found in the notes to the financial statements.

(1) See Statistical Table Number 13 for personal income and population data. These ratios are calculated using personal income and population for the prior calendar year.

## RATIOS OF GENERAL BONDED DEBT OUTSTANDING

## LAST TEN FISCAL YEARS

(Unaudited)

Fiscal Year	General Obligation Bonds	Less: Amounts Available in Debt Service Fund	Total	Percentage of Estimated Actual Taxable Value of Property (1)	Per Capita (2)
1998	\$ -	\$ -	\$ -	0.00%	\$ -
1999	-	-	-	0.00%	-
2000	-	-	-	0.00%	-
2001	-	-	-	0.00%	-
2002	-	-	-	0.00%	-
2003	6,735,000	166,194	6,568,806	0.57%	101
2004	6,075,000	61,480	6,013,520	0.49%	92
2005	5,785,000	47,483	5,737,517	0.44%	87
2006	5,465,000	49,534	5,415,466	0.38%	82
2007	5,135,000	123,741	5,011,259	0.33%	76

Note: Details regarding the county's outstanding debt can be found in the notes to the financial statements.

(1) See Statistical Table Number 6 for property value data.

(2) See Statistical Table Number 13 for population data.

Isabella County, Michigan  
LEGAL DEBT MARGIN INFORMATION  
LAST TEN FISCAL YEARS  
(Unaudited)

Table 12

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Legal debt limit						\$ 114,597,289	\$ 122,469,025	\$ 131,441,377	\$ 140,997,548	\$ 152,908,264
Total net debt applicable to limit						1,482,741	12,608,564	12,013,933	11,649,178	11,901,259
Legal debt margin	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 113,114,548	\$ 109,860,461	\$ 119,427,444	\$ 129,348,370	\$ 141,007,005
Total net debt applicable to the limit as a percentage of debt limit	0.00%	0.00%	0.00%	0.00%	0.00%	1.29%	10.30%	9.14%	8.26%	7.78%

Legal Debt Margin Calculation for Fiscal Year 2007

Taxable Value	\$ 1,529,082,641
Debt limit (10% of taxable value of property in County)	152,908,264
Debt applicable to limit: (1)	12,025,000
Less:	
Assets in Debt Service funds available for payment of principal	123,741
Total amount of debt applicable to debt limit	11,901,259
Legal debt margin	\$ 141,007,005

Note: Under state finance law Isabella County's outstanding general obligation debt shall not exceed 10 percent of total assessed property value. By law, the general obligation debt subject to the limitation may be offset by amounts set aside for repaying general obligation bonds.

(1) Includes primary government

Isabella County, Michigan

Table 13

DEMOGRAPHIC AND ECONOMIC STATISTICS

LAST TEN FISCAL YEARS

(Unaudited)

Fiscal Year	Population (1)	Personal Income (2)	Per Capita Personal Income	School Enrollment (3)	Unemployment Rate (4)
1998	62,089	\$ 1,139,804,000	\$ 18,358	(5)	2.90%
1999	63,093	1,232,879,000	19,541	(5)	2.80%
2000	63,351	1,301,298,000	20,541	(5)	3.30%
2001	63,680	1,391,684,000	21,854	(5)	3.80%
2002	63,936	1,391,607,000	21,766	(5)	4.30%
2003	64,735	1,438,243,000	22,217	(5)	5.00%
2004	65,351	1,534,906,000	23,487	(5)	4.90%
2005	65,640	1,639,532,000	24,978	22,351	4.60%
2006	65,818	(5)	(5)	27,292	5.10%
2007	66,276	(5)	(5)	(5)	5.30%

Data Sources:

(1) Population Division, U.S. Census Bureau - Population is an estimate as of July 1, of fiscal year with the exception of 2000 which reflects the actual census.

(2) Bureau of Economic Analysis, U.S. Department of Commerce

(3) Local school districts

(4) Michigan Department of Labor and Economic Growth - Unemployment rate information is a yearly average not seasonally adjusted.

(5) Information not available.

Isabella County, Michigan

Table 14

PRINCIPAL EMPLOYERS

2007 AND 1997

(Unaudited)

Employer	2007			1997		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Soaring Eagle Hotel & Casino	4,500	1	12.19%			
Central Michigan University	2,403	2	6.51%	2,156	1	7.99%
Central Michigan Community Hospital	750	3	2.03%	708	4	2.62%
Saginaw Chippewa Indian Tribe	700	4	1.90%	1,911	2	7.08%
Morbark Inc.	633	5	1.71%	640	6	2.37%
Mt. Pleasant Public Schools	573	6	1.55%	610	7	2.26%
Delfield Co.	460	7	1.25%	817	3	3.03%
Mount Pleasant Center	450	8	1.22%	420	9	1.56%
Meijer Inc.	450	9	1.22%	700	5	2.59%
Mears, LLC (Rosebush)	400	10	1.08%			
Wal-Mart				342	10	1.27%
LaBelle Management				600	8	2.22%
Totals	11,319		30.66%	8,904		32.99%

Source:

Michigan Economic Development Corporation Telephone Survey, 2007

Michigan Economic Development Corporation

(1) 1997 is the most historical year for which information is available.

Isabella County, Michigan

Table 15

FULL-TIME EQUIVALENT COUNTY EMPLOYEES BY FUNCTION

LAST TEN FISCAL YEARS

(Unaudited)

Function	Full-time Equivalent Employees as of December 31,									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
General service administration	(1)	(1)	(1)	(1)	(1)	(1)	54.5	54.5	54.5	54.5
Legislative	(1)	(1)	(1)	(1)	(1)	(1)	7.0	7.0	7.0	7.0
Judicial	(1)	(1)	(1)	(1)	(1)	(1)	56.0	56.0	56.0	56.0
Law enforcement and correction	(1)	(1)	(1)	(1)	(1)	(1)	49.5	49.5	49.5	50.5
Public safety and emergency services	(1)	(1)	(1)	(1)	(1)	(1)	23.6	23.6	24.6	24.6
Health and Welfare	(1)	(1)	(1)	(1)	(1)	(1)	33.0	33.0	33.0	33.0
Culture and recreation	(1)	(1)	(1)	(1)	(1)	(1)	4.6	4.6	4.6	4.6
Planning and development	(1)	(1)	(1)	(1)	(1)	(1)	3.0	3.0	3.0	3.0
Other Agencies	(1)	(1)	(1)	(1)	(1)	(1)	3.0	3.0	3.0	3.0
Total	-	-	-	-	-	-	234.2	234.2	235.2	236.2

(1) Data not available

Source: Isabella County Administration Office

Isabella County, Michigan

Table 16

OPERATING INDICATORS BY FUNCTION

LAST TEN FISCAL YEARS

(Unaudited)

Function	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
<b>Judicial</b>										
Circuit court total caseload	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
District court total caseload	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Probate court total caseload	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
<b>Law enforcement and corrections</b>										
Number of incarcerated offenders	5,163	5,330	5,492	5,000	5,170	5,153	5,320	5,321	56,626	5,550
<b>Public safety and emergency services</b>										
Animal Control										
Complaints	(1)	(1)	3,387	3,338	3,925	2,316	2,293	2,034	2,110	2,471
Animal adoptions	(1)	(1)	660	682	732	1,143	1,404	1,406	1,161	1,060
<b>Health and welfare</b>										
Health Department										
Immunizations administered	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	3,365
House numbering										
House numbers issued	-	261	236	223	215	231	216	203	140	108
Housing										
Mortgages granted	-	-	-	-	-	-	-	-	-	-
<b>Recreation and culture</b>										
Annual vehicle park passes	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Daily vehicle park passes	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Annual boat passes	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Daily boat passes	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)

Note: Indicators are not available for the general government, legislative functions, planning and development.

(1) Information not available at this time. Table will be populated as information becomes available.



Isabella County, Michigan  
CAPITAL ASSET STATISTICS BY FUNCTION  
LAST TEN FISCAL YEARS  
(Unaudited)

Table 17

Function	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Judicial										
Juvenile Detention Facilities	-	-	-	-	-	-	-	-	2	2
Law enforcement and corrections										
Sheriff										
Vehicles	-	-	-	-	-	-	-	-	25	19
Boats	-	-	-	-	-	-	-	-	1	1
Jail Facilities	-	-	-	-	-	-	-	-	1	1
Public safety and emergency services										
Animal control										
Vehicles	-	-	-	-	-	-	-	-	3	2
Emergency Services										
Vehicles	-	-	-	-	-	-	-	-	2	2
Community & Economic Development										
Vehicles	-	-	-	-	-	-	-	-	2	1
Recreation and culture										
Parks and recreation										
Parks	-	-	-	-	-	-	-	-	4	5
Vehicles	-	-	-	-	-	-	-	-	2	6

Sources: Isabella County Finance Department

Note: No capital asset indicators are available for the general government, legislative, health & welfare, or public works functions.

Not all historical information is available, this table will continue to be populated as more information becomes available.

**Isabella County, Michigan**

**SUPPLEMENTARY INFORMATION  
TO FINANCIAL STATEMENTS  
(FEDERAL AWARDS)**

**September 30, 2007**

Isabella County, Michigan

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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE  
TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Commissioners  
Isabella County, Michigan  
Mt. Pleasant, Michigan

Compliance

We have audited the compliance of Isabella County with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2007. Isabella County, Michigan's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Isabella County, Michigan's management. Our responsibility is to express an opinion on the Isabella County, Michigan's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Isabella County, Michigan's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Isabella County, Michigan's compliance with those requirements.

In our opinion, Isabella County, Michigan complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2007.

Internal Control Over Compliance

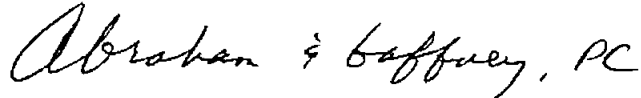
The management of Isabella County, Michigan is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Isabella County, Michigan's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Isabella County, Michigan's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended for the information of management and the Board of Commissioners of Isabella County, Michigan, others within the entity, the federal awarding agencies and pass-through entities, and is not intended to be, and should not be, used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Abraham & Gaffney, PC".

ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

March 20, 2008

Isabella County, Michigan

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended September 30, 2007

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantors Number	Current Year	
			Revenues	Expenditures
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT Passed through Michigan State Housing Development Authority Community Development Block Grant	14.228	MSC-2003-5824-HOA	\$ 150,708	\$ 150,708
U.S. DEPARTMENT OF JUSTICE Passed through Michigan State Police Office of Drug Control Policy Byrne Formula Grants - B.A.Y.A.N.E.T	16.579	ODCP-70909-7-B	17,195	17,195
U.S. DEPARTMENT OF TRANSPORTATION Passed through Michigan State Police Office of Highway Safety Planning Enforcement Grant	20.600	PT-07-18	34,972	34,972
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES Passed through Michigan Department of Human Services Child Support Enforcement (Title IV-D) <sup>(c)</sup>	93.563			
Cooperative Reimbursement <sup>(a)</sup>				
Friend of the Court		CS/FOC-07-37001	377,763	377,763
Prosecuting Attorney		CS/PA-07-37002	31,737	31,737
Title IV-D Incentive Payments <sup>(b)</sup>				
2007 Regular		N/A	136,088	136,088
			545,588	545,588

Isabella County, Michigan

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

Year Ended September 30, 2007

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantors Number	Current Year	
			Revenues	Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES - CONTINUED				
Passed through Region VII Area Agency on Aging				
Special Programs for the Aging				
Title III, Part D	93.043	N/A		
Medication Management			\$ 880	\$ 880
Title III, Part B <sup>(d)</sup>	93.044	N/A		
Case Coordination and Support			29,551	29,551
Senior Center Staffing			8,379	8,379
Personal Care			2,748	2,748
Homemaker			4,117	4,117
Respite			1,897	1,897
Emergency Respite			99	99
POS CM Personal Care			35	35
POS CM Homemaking			128	128
POS CM Respite			128	128
Title III, Part C-1 <sup>(d)</sup>	93.045	N/A		
Congregate Meals			80,032	80,032
Home Delivered Meals			53,103	53,103
Title III, Part E	93.052	N/A		
Caregiver Training			14,903	14,903
Supplemental Funds			3,027	3,027
Kinship Care Funds			1,091	1,091
Nutrition Services Incentive Program (NSIP) <sup>(d)</sup>	93.053	N/A		
Congregate Meals			29,328	29,328
Home Delivered Meals			48,138	48,138

Isabella County, Michigan

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONCLUDED

Year Ended September 30, 2007

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantors Number	Current Year	
			Revenues	Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES - CONCLUDED				
Passed through Region VII Area Agency on Aging - concluded				
Medical Assistance Program	93.778	N/A	\$ 20,601	\$ 20,601
CMS Research, Demonstrations, and Evaluations	93.779	N/A		
MMAF Core Grant			1,862	1,862
MMAF, Waste, Fraud, and Abuse			467	467
Total passed through Region VII Area Agency on Aging			300,514	300,514
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			846,102	846,102
U.S. DEPARTMENT OF HOMELAND SECURITY				
Passed through Michigan Department of Natural Resources				
2007 Marine Safety Grant	97.012	N/A	9,393	9,393
Passed through Michigan State Police				
2007 EMPG	97.042	N/A	20,104	20,104
2005 LETPP	97.067	N/A	1,889	1,889
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY			31,386	31,386
TOTAL FEDERAL FINANCIAL ASSISTANCE			\$ 1,080,363	\$ 1,080,363



Isabella County, Michigan

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

September 30, 2007

**NOTE A: BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of Isabella County, Michigan and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements, which are reconciled in Note C below.

**NOTE B: SUMMARY OF SIGNIFICANT EXPLANATIONS OF SCHEDULE**

The following descriptions identified below as (a) - (d) represent explanations that cross reference to amounts on the Schedule of Expenditures of Federal Awards:

- (a) Reimbursements of these contracts is passed through the State Department of Human Services (DHS). The amounts reported on the Schedule of Expenditures of Federal Awards represent the Federal portion of the respective amounts based on 66% of Title IV-D eligible expenditures for the applicable grants. The entire amount paid by DHS for the reimbursed expenditures is considered Federal.
- (b) The reimbursements for the IV-D Incentive Payments Program are based on support payments collected. Expenditures have been reported to the extent of earned revenues and are 100% Federal.
- (c) Denotes program tested as a "major program".
- (d) Program considered a cluster by the U.S. Department of Health and Human Services.

**NOTE C: RECONCILIATION TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

The following reconciles the federal revenues reported in the September 30, 2007 basic financial statements to the expenditures of the County administered federal programs reported on the Schedule of Expenditures of Federal Awards:

	Federal/ State Revenue	Less State/Local Revenue	Federal Award Expenditures
<b>PRIMARY GOVERNMENT</b>			
<b>GENERAL FUND</b>			
Homeland Security	\$ 21,993	\$ -	\$ 21,993
B.A.Y.A.N.E.T.	34,390	( 17,195 )	17,195
Prosecutor - CRP	40,788	( 9,051 )	31,737
Traffic enforcement	34,972	-	34,972
Friend of the court incentive	136,088	-	136,088
Marine safety grant	9,393	-	9,393
Other Programs	<u>1,446,902</u>	<u>( 1,446,902 )</u>	<u>-0-</u>
<b>TOTAL GENERAL FUND</b>	<b>1,724,526</b>	<b>( 1,473,148 )</b>	<b>251,378</b>
<b>SPECIAL REVENUE FUNDS</b>			
Friend of the Court	377,763	-	377,763
Commission on Aging Activities	300,514	-	300,514
CDBG Housing Assistance Grant	<u>150,708</u>	<u>-</u>	<u>150,708</u>
<b>TOTAL SPECIAL REVENUE FUNDS</b>	<b><u>828,985</u></b>	<b><u>-0-</u></b>	<b><u>828,985</u></b>
<b>TOTAL PRIMARY GOVERNMENT ENTITY</b>	<b><u>\$ 2,553,511</u></b>	<b><u>\$( 1,473,148 )</u></b>	<b><u>\$ 1,080,363</u></b>

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Commissioners  
Isabella County, Michigan  
Mt. Pleasant, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregately discretely presented component units, each major fund, and the aggregate remaining fund information of Isabella County, Michigan as of and for the year ended September 30, 2007, which collectively comprise Isabella County's basic financial statements and have issued our report thereon dated March 20, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Isabella County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described as 2007-1, 2007-2, 2007-3, 2007-4, 2007-5, 2007-6, 2007-7, and 2007-8 in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We believe that the significant deficiencies described as 2007-1 and 2007-2 in the Schedule of Findings and Questioned Costs are material weaknesses.

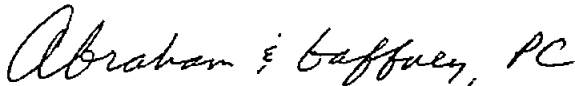
### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Isabella County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2007-9, 2007-10 and 2007-11.

Isabella County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit Isabella County's responses, and accordingly we express no opinion on them.

We noted a certain matter that we reported to management and the Board of Commissioners of Isabella County in a separate letter dated March 20, 2008.

This report is intended for the information of management and the Board of Commissioners of Isabella County, others within the County, the Federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Abraham & Gaffney, PC".

ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

March 20, 2008

Isabella County, Michigan

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended September 30, 2007

**Section I - Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued:

Unqualified

Internal control over financial reporting:

Material weakness(es) identified?

  X   Yes        No

Significant deficiencies identified that are not considered to be material weakness(es)?

  X   Yes        None reported

Noncompliance material to financial statements noted?

       Yes   X   No

**Federal Awards**

Internal control over major programs:

Material weakness(es) identified?

       Yes   X   No

Significant deficiencies identified that are not considered to be material weakness(es)?

       Yes   X   None reported

Type of auditor's report issued on compliance for major programs:

Unqualified

Any audit findings disclosed that are required to be reported with Section 501(a) of Circular A-133?

       Yes   X   No

Identification of major programs:

CFDA Number(s)

Name of Federal Program or Cluster

93.563

Child Support Enforcement (Title IV-D)

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 300,000

Auditee qualified as low-risk auditee?

  X   Yes        No

**Section II - Financial Statement Findings**

**2007-1 PREPARATION OF FINANCIAL STATEMENTS IN ACCORDANCE WITH GAAP**

**Condition:** As part of the audit process, the County, like many other governments, has historically relied on the independent auditors to assist in the preparation of the government-wide and fund financial statements, as well as the related notes to the financial statements, as part of its external financial reporting process. It is more cost effective to outsource the preparation of the annual financial statements to the independent auditors than to incur the time and expense of having the employees and/or management obtain the necessary training and expertise required to perform this task internally. The County requires the assistance of the independent auditors to prepare its financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP).

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

Year Ended September 30, 2007

---

**Section II - Financial Statement Findings - Continued**

---

**2007-1 PREPARATION OF FINANCIAL STATEMENTS IN ACCORDANCE WITH GAAP - CONCLUDED**

**Criteria:** Governmental entities are required to issue financial statements that are prepared in accordance with GAAP. Statement on Auditing Standards No. 112 (SAS 112), *Communicating Internal Control Related Matters Identified in an Audit*, emphasizes that responsibility for the financial statements rests with the County's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal accounting records), and (2) reporting government-wide and fund financial statements, including the related note disclosures (i.e., external financial reporting).

**Effect:** The County relies, in part, on the independent auditors for assistance with the preparation of annual financial statements and related notes to the financial statements in accordance with GAAP. This reliance makes the independent auditors effectively part of the County's internal controls. By definition, independent auditors cannot be part of the County's internal controls.

**Recommendation:** We recommend the County consider providing applicable employees with training that would allow them to attain the qualifications required to fully understand the GAAP financial statement preparation process. Should the County choose not to address this issue, management and the Board of Commissioners should realize that an increased risk is present.

This recommendation is not intended to imply that the County's contractual arrangement with the independent auditors, which includes preparation of the financial statements, is improper or should be changed. SAS 112 does not require that management actually prepare the financial statements, but it requires the independent auditors to comment when the applicable internal controls are not in place.

**Corrective Action Response:** Historically it has been the practice for the independent auditors of Isabella County to assist in the preparation of the government-wide and fund financial statements, as well as the related notes to the financial statements. Prior to the current audit, this was not considered a material weakness or deficiency in internal controls of the County in any way. Therefore, management was not required to obtain all of the specific training to create the details of such reports.

As recommended, the Finance Director will now seek to obtain, through the course of regular continuing professional education, specific knowledge which was not considered a deficiency prior to SAS 112.

**2007-2 MATERIAL JOURNAL ENTRIES PROPOSED BY AUDITORS**

**Condition:** Material journal entries in the areas of capital assets, property taxes, and fund deficits were proposed by the auditors. These misstatements were not detected by the County's internal control over financial reporting. These entries were brought to the attention of management and were subsequently recorded in the County's general ledger.

**Criteria:** Statement on Auditing Standards No. 112 (SAS 112), *Communicating Internal Control Related Matters Identified in an Audit*, emphasizes that management is responsible for establishing, maintaining, and monitoring internal controls, and for the fair presentation in the financial statements of financial position, results of operations, and cash flows (where applicable), including the notes to the financial statements, in conformity with U.S. generally accepted accounting principles. The auditor cannot be a part of internal controls.

**Effect:** Through the identification of material journal entries that were not otherwise identified by management, the auditors are effectively part of the County's internal controls.

**Recommendation:** We recommend that the County take steps to ensure that material journal entries are not necessary at the time future audit analysis is performed.

Isabella County, Michigan

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

Year Ended September 30, 2007

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**Section II - Financial Statement Findings - Continued**

---

**2007-2 MATERIAL JOURNAL ENTRIES PROPOSED BY AUDITORS - CONCLUDED**

**Corrective Action Response:** Historically it has been the practice for the independent auditors of Isabella County to assist in the preparation of the government-wide and fund financial statements, as well as the related notes to the financial statements. This has always included the preparation by or suggestion from the auditors of material journal entries. Prior to the current audit, this was not considered a material weakness or deficiency in internal controls of the County in any way.

In future years, management will no longer rely on the independent auditors for the preparation or suggestion of such journal entries.

**2007-3 PAYROLL PROCESS**

**Condition:** During our review of the payroll process, we noted that the payroll clerk can enter or delete employees from the payroll system without any oversight. Additionally, payroll reports are not periodically reviewed by management.

**Criteria:** Internal control is a process designed to provide reasonable assurance regarding the achievement of objectives in the following categories: (a) reliability of financial reporting, (b) effectiveness and efficiency of operations, and (c) compliance with applicable laws and regulations.

**Effect:** The supervision and review of the payroll process is a significant part of the internal controls of the County. Lack of supervision and review for the payroll process could lead to fraudulent transactions occurring and not being identified by management in a timely manner.

**Recommendation:** We recommend that the completed payroll reports be periodically reviewed by management. Additionally, we recommend that the County put systems in place to monitor the addition or deletion of employees in the payroll system.

**Corrective Action Response:** Management will now take steps to enhance internal controls over payroll in the form of increased periodic review of direct deposit listings and monthly edit listings. We are confident this type of review, in conjunction with internal controls already in place, will identify any fraudulent transactions, including the addition and deletion of employees in the payroll system, in a timely manner.

**2007-4 SHERIFF'S DEPARTMENT PROCEDURES**

**Condition:** During our review of internal controls at the Sheriff's Department, we noted several opportunities to strengthen internal control and segregate duties in the cash receipting and disbursement procedures. Specifically, we noted:

- a. The cashiers do not maintain separate cash drawers.
- b. There is no log maintained of receipts received in the mail.
- c. Voided receipts are not reviewed by management.
- d. Source documentation is not retained to support receipts.
- e. Any of the office staff, clerks, and corrections officers have the capability to receipt money and void receipts. Additionally, all of the clerks and corrections officers are authorized check signers for the Inmate Trust Account.
- f. The daily cash receipts reports are not compared to the posting to inmate accounts to ensure that the accounts are properly credited.
- g. The disbursements made from the Inmate Trust account are not reviewed prior to checks being prepared.
- h. The Department does not reconcile amounts due to individual inmates per the computer system to amounts held in the related bank account.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

Year Ended September 30, 2007

---

Section II - Financial Statement Findings - Continued

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2007-4 SHERIFF'S DEPARTMENT PROCEDURES - CONTINUED

Criteria: One of the objectives of internal control is that no one person has access to all aspects of a given transaction cycle. Duties and responsibilities for handling cash receipts should be arranged and separated so that an employee does not perform more than one of the following functions:

- a. Opening the mail.
- b. Receipting payments.
- c. Balancing receipts to the accounting records.
- d. Voiding receipts.

Additionally, employees that process cash disbursements should not be authorized signers on the bank account and signed checks should not be returned to the prepared after being signed. Where adequate segregation of duties is not possible, management should provide greater review and oversight of the various financial activities.

Effect: The Sheriff's Department is susceptible to fraudulent transactions as the internal controls and segregation of duties in these areas is inadequate.

Recommendation: We recommend that the Sheriff's Department evaluate all aspects of the accounting function and consider taking the following actions:

- a. Require that all cashiers maintain a separate cash drawer. In order to accomplish this, it will likely be necessary to limit the number of authorized cashiers.
- b. The person who opens the mail should keep a log of all receipts for the day. That log should be compared to the computerized receipting system on a daily basis.
- c. Voided receipts should be retained in a file and reviewed and approved by management periodically.
- d. All available supporting documentation relating to receipts should be retained for audit purposes. At a minimum, maintenance of a pre-numbered manual receipt book is recommended.
- e. The duties of receipting money, voiding receipts, and signing checks for the Inmate Trust account should be separated or properly reviewed by the appropriate level of management.
- f. The daily cash receipts reports should be compared to the inmate accounts on a daily basis to ensure that the inmate accounts are being properly accounted for.
- g. Payments from the Inmate Trust account should be reviewed and approved by management, if possible, before they are distributed, but at a minimum on a daily basis to assure accuracy.
- h. The total of individual inmate balances should comprise the amount held in the Inmate Trust account and should be reconciled to the general ledger monthly.

Corrective Action Response:

- a. The cashiers do not maintain separate cash drawers. The cash drawer is in one area, where the only window for customer payments exists. The cash drawer is also only used for change. It would be highly inefficient to have a separate cash drawer for each clerk. Individual deposits are done each time money is receipted.
- b. No log of incoming checks in the mail. This practice would be redundant in our current processing structure since checks are receipted into the computer and recorded as they are entered. In addition, checks are written payable to Isabella County or the Isabella County Sheriff's Department, not individual employees.
- c. Voided receipts are not reviewed by management. Voided receipts are reviewed by the clerks when "cashing out" the following day. If anything seems out of the ordinary, it is brought to the attention of management.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

Year Ended September 30, 2007

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**Section II - Financial Statement Findings - Continued**

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**2007-4 SHERIFF'S DEPARTMENT PROCEDURES - CONCLUDED**

**Corrective Action Response - Concluded:**

- d. Source documentation is not retained to support receipts. Source documentation is kept for money coming in from the state or other "business" sources when a remittance is included. Checks from individuals are entered into the computer system and do not have source documentation besides the check itself.
- e. Most employees can receipt money and/or sign checks. With a 24-hour operation, it is not feasible to only give this authority to a few individuals. When an inmate is released, the Sheriff's department is required to return any money held for that inmate to them at that time. This system makes it necessary to have multiple employees on all shifts able to sign checks and/or receipt money.
- f. Daily receipts are not compared to inmate account postings. When generating an inmate receipt from the computer system, employees are made to choose what inmate account the money is to be deposited into. The checks and balances built into the software program are adequate to identify any posting errors.
- g. The disbursements are not reviewed prior to checks being prepared. When releasing an inmate, the balance of the inmates account is automatically written to a check, the employee does not have the option to change the dollar amount. When writing bond checks, the amounts are verified with cash out reports before the checks are generated. All checks written are also reviewed by management on a monthly basis, and any large amounts are investigated and verified.
- h. The department does not reconcile amounts due to individual inmates per the computer system to amounts held in the related bank account. The bank statement is reconciled monthly to the totals in the general ledger and in the inmate software by management.

**2007-5 TRIAL COURT DEPARTMENT PROCEDURES**

**Condition:** During our review of internal controls in the Trial Court, we noted several opportunities to strengthen internal control and segregate duties in the cash receipting procedures. Specifically, we noted:

- a. The cashiers do not maintain separate cash drawers, with access restricted to the assigned employee.
- b. There is no log of receipts received in the mail.
- c. The employee who reconciles the bank account is not independent of the cash receipting and disbursements processes.

**Criteria:** Paragraph F4(c) of section 6-05, Michigan Court Administration Reference Guide, states: "Each employee authorized to receipt in-office payments should be assigned to a separate cash drawer with access to the drawer being restricted to the assigned employee."

Paragraph F3(b) of section 6-05, Michigan Court Administration Reference Guide, states: "Checks, money orders and cash received in the mail should be recorded on a mail log prepared by the mail opener or, as a minimum, an adding machine tape should be prepared. This process may not be possible in courts with only a few employees. If a mail log is prepared, it should indicate the date received, payer's name, type of payment (check, money order, or cash), check/money order number and amount."

Paragraph F3(f) of section 6-05, Michigan Court Administration Reference Guide, states: "The mail log or adding machine tape should then be forwarded to the employee who balances receipts to the accounting records while the checks, money orders and cash should be given to the employee who performs the receipt function."



SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

Year Ended September 30, 2007

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**Section II - Financial Statement Findings - Continued**

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**2007-5 TRIAL COURT DEPARTMENT PROCEDURES - CONCLUDED**

**Criteria - Concluded:**

In addition, paragraph F7(e) states: "If a mail log or adding machine tape of checks, money orders and cash received in the mail is prepared, the mail receipt total per the accounting records should be compared and verified to the total reflected on the log or tape. The employee who performs this verification should sign or initial the log or tape. If a portion or all of the mail payments are not receipted to the accounting records on the same day they were received, an audit trail of the mail or adding machine tape from the date received to the date receipted should exist."

Paragraph E4(b) of section 6-05, Michigan Court Administration Reference Guide, states: "Bank reconciliations should be completed by someone who is not involved in opening the mail, receipting payments, or balancing receipts to the accounting records. In addition, the person who performs the bank reconciliation should not be an authorized check signer on the bank accounts being reconciled."

**Effect:** The Trial Court is not in compliance with the Michigan Court Administration Reference Guide. The Trial Court is susceptible to fraudulent transactions as the internal controls and segregation of duties in these areas is inadequate.

**Recommendation:** We recommend that the Trial Court take the following actions:

- a. Cashiers should be required to maintain separate cash drawers, with access restricted to the assigned employee.
- b. The person who opens the mail should keep a log of all receipts for the day. That log should be compared to the computerized receipting system on a daily basis.
- c. The bank reconciliation should be performed by an employee who is independent of the cash receipting and disbursement processes.

**Corrective Action Response:**

- a. Cashiers do not maintain separate cash drawers.

Each individual window has their own cash drawer they are responsible for. They cash out daily and reconcile with our Judicial Information System and then the report and checks/currency is given to the bookkeeper which she reconciles with another report that is generated from the Judicial Information System.

- b. There is no log of receipts received in the mail.

We believe the system already in place provides the best internal controls given our limited resources of personnel. The purpose of this procedure is to log incoming mail each day and to reconcile the log with the computer system. The ideal scenario would be to have two people sort mail. With limited resources, the County cannot implement the procedure the auditors are recommending.

- c. The employee who reconciles the bank account is not independent of the cash receipting and disbursements processing.

The bookkeeper is separate from the clerks responsible for receipting and disbursing monies. Each clerk is responsible for the reconciliation of their individual cash drawers. The bookkeeper conducts the overall reconciliation. The bookkeeper does fill-in at the counter during the lunch time hour but does not reconcile that individual cash drawer.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

Year Ended September 30, 2007

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**Section II - Financial Statement Findings - Continued**

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**2007-6 TREASURER'S DEPARTMENT PROCEDURES**

**Condition:** During our review of internal controls at the Treasurer's Department, we noted some opportunities to strengthen internal control and segregate duties in the cash receipting and bank reconciliation procedures. Specifically, we noted:

- a. There is no log maintained of receipts received in the mail.
- b. The employee who reconciles the bank account is not independent of the cash receipting and disbursements processes.

**Criteria:** One of the objectives of internal control is that no one person has access to all aspects of a given transaction cycle. Duties and responsibilities for handling cash receipts and bank reconciliations should be arranged and separated so that an employee does not perform more than one of the following functions:

- a. Opening the mail.
- b. Receipting payments.
- c. Balancing receipts to the accounting records.
- d. Bank reconciliations.

Where adequate segregation of duties is not possible, management should provide greater review and oversight of the various financial activities.

**Effect:** The Treasurer's Department is susceptible to fraudulent transactions as the internal controls and segregation of duties in these areas is inadequate.

**Recommendation:** We recommend that the Treasurer's Department take the following actions:

- a. The person who opens the mail should keep a log of all receipts for the day. That log should be compared to the computerized receipting system on a daily basis.
- b. The bank reconciliation should be performed by an employee who is independent of the cash receipting and disbursement processes.

**Corrective Action Response:**

- a. Due to staffing restrictions, logging each piece of mail and following up on the processing of it would become a very cumbersome task. Because of this, as suggested by the independent auditor, management will provide enhanced review and oversight of these various financial activities.
- b. Currently, the person who opens the mail disburses it to the proper staff for processing. Tax payments are not processed by the person that opens the mail for distribution. The same person that opens the mail does the bank reconciliation, but does not process payments received in the mail. The Treasurer feels this is an adequate segregation of duties and internal controls.

**2007-7 CLERK'S OFFICE PROCEDURES**

**Condition:** During our review of internal controls at the Clerk's Office, we noted some opportunities to strengthen internal control and segregate duties in the cash receipting and bank reconciliation procedures. Specifically, we noted:

- a. The cashiers do not maintain separate cash drawers.
- b. There is no log maintained of receipts received in the mail.
- c. At least three (3) different individuals can process void receipts without approval.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

Year Ended September 30, 2007

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Section II - Financial Statement Findings - Continued

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2007-7 CLERK'S OFFICE PROCEDURES - CONCLUDED

Criteria: One of the objectives of internal control is that no one person has access to all aspects of a given transaction cycle. Duties and responsibilities for handling cash receipts should be arranged and separated so that an employee does not perform more than one of the following functions:

- a. Opening the mail.
- b. Receipting payments.
- c. Balancing receipts to the accounting records.
- d. Processing void receipts.

Where adequate segregation of duties is not possible, management should provide greater review and oversight of the various financial activities.

Effect: The Clerk's Office is susceptible to fraudulent transactions as the internal controls and segregation of duties in these areas is inadequate.

Recommendation: We recommend that the Clerk's Office take the following actions:

- a. Cashiers should be required to maintain separate cash drawers.
- b. The person who opens the mail should keep a log of all receipts for the day. That log should be compared to the computerized receipting system on a daily basis.
- c. The number of employees who can void a receipt should be minimized and all voids should be reviewed and approved by management daily.

Corrective Action Response:

- a. The County Clerk's Office has four deputy clerks. The Vital Records Clerk is the main counter person writing the majority of the receipts for the day. All other clerks may write two or three receipts throughout the day. A log is kept of all birth, death and marriage records issued, as well as all passport applications processed. There is a paper trail for every transaction processed each day. Also, each clerk writes their initials on the receipt, so if cash does not balance at the end of the day, a paper trail will identify if all receipts were written and if for the proper amount. Each cashier having a cash drawer would not be feasible for an office of this size.
- b. The County Clerk opens all mail and in her absence the Chief Deputy opens mail. The mail is checked for proper paperwork and correct fees by the clerk. It is then given to the Vital Records Clerk to process and she receipts for the check or money order. (We very rarely get cash) On the receipt, the check or money order number is written and the word MAIL. This all prints out on a transaction report for the day. Also, all mail correspondence is retained for two years.
- c. The only time a receipt is voided is during the same day that it was written because the cash is balanced at the end of the day. Normally, the only reason a receipt would need to be voided is if it was written for the wrong amount or to the wrong person and is usually done while the customer is still at the counter. We very seldom have to void a receipt, but do need to have the availability of at least three people that can do it due to having a small office and at times short staff. The three clerks with the availability are the County Clerk, Chief Deputy Clerk and Vital Records Clerk. The receipt is entered into the financial system with the word VOID on it and is printed on the transmittal at the end of the day.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

Year Ended September 30, 2007

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**Section II - Financial Statement Findings - Continued**

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**2007-8 DRAIN OFFICE PROCEDURES**

**Condition:** During our review of internal controls at the Drain Office, we noted some opportunities to strengthen internal control and segregate duties in the cash receipting and bank reconciliation procedures. Specifically, we noted:

- a. The cashiers do not maintain separate cash drawers.
- b. There is no log maintained of receipts received in the mail.
- c. All department employees are authorized to receipt money.

**Criteria:** One of the objectives of internal control is that no one person has access to all aspects of a given transaction cycle. Duties and responsibilities for handling cash receipts should be arranged and separated so that an employee does not perform more than one of the following functions:

- a. Opening the mail.
- b. Receipting payments.
- c. Balancing receipts to the accounting records.

Where adequate segregation of duties is not possible, management should provide greater review and oversight of the various financial activities.

**Effect:** The Drain Office is susceptible to fraudulent transactions as the internal controls and segregation of duties in these areas is inadequate.

**Recommendation:** We recommend that the Drain Office take the following actions:

- a. Cashiers should be required to maintain separate cash drawers.
- b. The person who opens the mail should keep a log of all receipts for the day. That log should be compared to the computerized receipting system on a daily basis.
- c. The number of employees who can process cash receipts should be minimized.

**Corrective Action Response:**

- a. The Drain office maintains one cash drawer which is balanced up to three times a week by the Drain Assessment Aide and randomly audited during the month by the Chief Deputy Drain Commissioner. These internal controls are adequate given the staffing levels available in the Drain office.
- b. We believe the system already in place provides the best internal controls given our limited resources of personnel. The purpose of this procedure is to log incoming mail each day and to reconcile the log with the computer system. The ideal scenario would be to have two people sort mail. With limited resources, the County cannot implement the procedure the auditors are recommending. Also, this would go against our desire to automate all procedures as often as possible.
- c. The number of employees who can process cash receipts needs to be such that the public is served in an efficient and expedient manner. With current staffing levels, it becomes necessary to allow multiple employees to receipt money when necessary.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

Year Ended September 30, 2007

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Section II - Financial Statement Findings - Continued

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2007-9 OUTSTANDING CHECKS NEED TO BE ESCHEATED

Condition: During our review of the open bonds and restitution at the District Court, we noted that several of the outstanding checks were over a year old. Some checks were written as far back as 2003.

Criteria: Paragraph E6 of section 6-05, Michigan Court Administration Reference Guide, states: "Old outstanding checks should be periodically reviewed and escheated to the State of Michigan. The Unclaimed Property Division of the Michigan Department of Treasury requires that all uncashed checks unclaimed for a period of one year, including undeliverable and outstanding checks, should be escheated as prescribed in Treasury regulations."

Additionally, Michigan Public Act 29 of 1995 provides that the Department report and escheat unclaimed property to the State of Michigan.

Effect: The County is not in compliance with Public Act 29 of 1995 or the Michigan Court Administration Reference Guide.

Recommendation: We recommend that outstanding checks be reviewed on an annual basis and any checks that are outstanding for more than one year be appropriately escheated to the State of Michigan unless an outstanding check can be reissued to the payee.

Corrective Action Response: This has been corrected and the County will continue to adhere to the Michigan Court Administration Reference Guide.

2007-10 UNFAVORABLE BUDGET VARIANCES

Condition: During our review of the County's compliance with the budgeting act, we noted that expenditures had exceeded the amounts appropriated for various activities in the General Fund and nine (9) Special Revenue Funds. Additionally, the County did not adopt budgets for five (5) required funds.

Criteria: The Uniform Budgeting and Accounting Act requires the County to amend the original adopted budget "as soon as it becomes apparent that a deviation from the original general appropriations act is necessary and the amount of the deviation can be determined". The Act also states that "an administrative officer of the local unit shall not incur expenditures against an appropriation account in excess of the amount appropriated by the legislative body".

Effect: The County adopted the budget for the General Fund at the department level and the Special Revenue funds at the total expenditure level. Having unfavorable budget variances as described above, the County is not in compliance with Public Act 621 of 1978, as amended.

Recommendation: We recommend the County monitor expenditures against adopted budgets and make appropriate budget amendments as needed.

Corrective Action Response: The Uniform Budgeting and Accounting Act requires the County to amend its original budget when "it appears to the chief administrative officer or to the legislative body that the actual and probable revenues from taxes and other sources in a fund are less than the estimated revenues" (MCL 141.437(2)). Funding schedules from sources such as the State of Michigan are not reliable, thereby making it impossible to know whether funds from these sources will be provided before the close of a given fiscal year.

Isabella County, Michigan

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONCLUDED

Year Ended September 30, 2007

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**Section II - Financial Statement Findings - Concluded**

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**2007-10 UNFAVORABLE BUDGET VARIANCES - CONCLUDED**

**Corrective Action Response - Concluded:**

The Isabella County Board of Commissioners authorizes the County Administrator/Controller to transfer monies from one category to another within an activity and between activities within the same fund in an amount up to \$50,000 for non-equipment expenditures, and up to \$25,000 for equipment expenditures when deemed necessary. In recognition of the auditor's finding, the Administrator/Controller will promptly exercise this authority before the close of a fiscal year in order to assure expenditures recorded for various activities do not exceed appropriated amounts. Commissioners will be notified of any such transfers in order to keep them apprised of amendments within activity centers and special revenue funds.

As noted in the auditor's findings, budgets were lacking for five (5) required funds. In compliance with auditor recommendations, a budget document will be prepared for all such funds in the future.

**2007-11 FUND DEFICIT**

**Condition:** As of September 30, 2007, the Public Act 511 Special Revenue Fund is reporting a fund deficit of \$28,106.

**Criteria:** Michigan Public Act 275 of 1980 provides that the County shall not have deficits in one or more of the County's unreserved fund balances/unrestricted net assets.

**Effect:** The County is not in compliance with Public Act 275 of 1980.

**Recommendation:** We recommend the County utilize budgetary controls to limit expenditures and/or transfer funds as needed to alleviate deficits.

**Corrective Action Response:** The deficit of \$28,106 will be covered by an operating transfer from the general fund in the current fiscal year pending approval by the County Board of Commissioners.

This deficit was created by going over budget in the Cognitive Change program by \$18,000 in the 2007 fiscal year and a lack of collections from defendant's for tether fees which are financed initially by the County.

Collecting payments for tether hookups is often problematic. Many defendants are indigent and the County will never recover this money. The County has now implemented a new policy that addresses this issue. Our Community Corrections Coordinator will only conduct a tether hookup once the County receives one month's fees in advance from the defendant. The tether company will then bill the defendant directly and assume the risk of non payment.

The Community Corrections Coordinator has also been made aware of the need to adhere to a budget and address any necessary budget amendments prior to the fiscal year end.

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**Section III - Federal Award Findings and Questioned Costs**

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None

Isabella County, Michigan

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year Ended September 30, 2007

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**Federal Award Findings and Questioned Costs**

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**2005-1 HOMELAND SECURITY CLUSTER - ACCOUNTING AND REPORTING**

In FY 2005 it was reported that the County was not submitting its required quarterly reimbursement requests for the 2004 Homeland Security Grant according to the predefined calendar. There had been no written waiver of this requirement by either the grantor, Michigan State Police, or the federal agency, Department of Homeland Security. This finding was considered to be resolved in FY 2006.

There were no Federal award findings or questioned costs for fiscal year 2006.

Principals

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Steven R. Kirinovic, CPA  
Aaron M. Stevens, CPA  
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MANAGEMENT LETTER

To the Board of Commissioners  
of Isabella County  
Mt. Pleasant, Michigan

Dear Ladies/Gentlemen:

As you know, we have recently completed our audit of the records of Isabella County, Michigan for the year ended September 30, 2007. In connection with the audit, we feel that a certain change in your accounting procedures would be helpful in improving management's control and the operational efficiency of the accounting functions. This suggestion is a result of our evaluation of the internal control structure and our discussions with management.

1. The Board of Commissioners should amend the County's investment policy to address the disclosure requirements of GASB Statement No. 40.

For the fiscal year ended September 30, 2005 the Governmental Accounting Standards Board (GASB) issued a new policy that became effective related to investment risk (GASB 40). During the course of our audit and through discussions with management, it was noted that the County's investment policy did not address some of the requirements of GASB Statement No. 40. Deposit and investment resources often represent significant assets of the County's funds. These resources are necessary for the delivery of the County's services and programs, or to carry out its fiduciary responsibilities. GASB Statement No. 40 is designed to inform financial statement users about deposit and investment risks that could affect the County's ability to provide services and meet its obligations as they become due.

We suggest the Board of Commissioners review their current investment policy and make the necessary amendments to address custodial credit risk, concentration of credit risk, interest rate risk, and foreign currency risk, if applicable. Such policies are required to be disclosed in the notes to the County's financial statements by GASB Statement No. 40.

This report is intended solely for the use of the management and the Board of Commissioners of Isabella County and is not intended to be and should not be used by anyone other than these specified parties.

We wish to express our appreciation for the courtesy and cooperation extended to us during our audit. We are available to discuss any or all of these suggestions with you, and to provide assistance in the implementation of improvements.

ABRAHAM & GAFFNEY P.C.  
Certified Public Accountants

March 20, 2008